

LUTHERAN MEN IN MISSION
Chicago, Illinois

FINANCIAL STATEMENTS
January 31, 2012 and 2011



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities - Year Ended January 31, 2012	3
Statement of Activities - Year Ended January 31, 2011	4
Statements of Cash Flows	5
Notes to Financial Statements	6
 SUPPLEMENTARY INFORMATION	 12
Schedule of Spending Plan - Year Ended January 31, 2012	13
Schedule of Events - Year Ended January 31, 2012	16

Independent Accountant's Review Report

Board of Directors
Lutheran Men in Mission
Chicago, Illinois

We have reviewed the accompanying statements of financial position of Lutheran Men in Mission (LMM) as of January 31, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedules is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

CliftonLarsonAllen LLP

Oak Brook, Illinois
October 17, 2012

**LUTHERAN MEN IN MISSION
STATEMENTS OF FINANCIAL POSITION
Years Ended January 31, 2012 and 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 74,365	\$ 70,549
Accounts receivable	1,583	-
Prepaid expenses	4,378	-
Consigned inventories	5,970	34,879
Due from Evangelical Lutheran Church in America	55,286	85,539
Investments	<u>998,962</u>	<u>1,027,236</u>
TOTAL ASSETS	<u>\$ 1,140,544</u>	<u>\$ 1,218,203</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses and other liabilities	\$ 6,266	\$ 4,217
Deferred revenue	<u>-</u>	<u>490</u>
Total liabilities	<u>6,266</u>	<u>4,707</u>

NET ASSETS

Unrestricted	388,594	482,095
Permanently restricted, endowments	<u>745,684</u>	<u>731,401</u>
Total net assets	<u>1,134,278</u>	<u>1,213,496</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,140,544</u>	<u>\$ 1,218,203</u>
---	----------------------------	----------------------------

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENT OF ACTIVITIES
Year Ended January 31, 2012**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributions	\$ 238,375	\$ 14,283	\$ 252,658
Program service revenue - events	78,872	-	78,872
Bible sales	24,343	-	24,343
Investment income	44,066	-	44,066
	<u>385,656</u>	<u>14,283</u>	<u>399,939</u>
Total revenues, gains, and public support			
EXPENSES AND LOSSES			
Cost of bibles sold or distributed	28,909	-	28,909
Events	84,027	-	84,027
General and administrative	323,664	-	323,664
Realized and unrealized loss on investments, net	42,557	-	42,557
	<u>479,157</u>	<u>-</u>	<u>479,157</u>
Total expenses and losses			
CHANGE IN NET ASSETS	(93,501)	14,283	(79,218)
NET ASSETS, BEGINNING OF YEAR	<u>482,095</u>	<u>731,401</u>	<u>1,213,496</u>
NET ASSETS, END OF YEAR	<u>\$ 388,594</u>	<u>\$ 745,684</u>	<u>\$ 1,134,278</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENT OF ACTIVITIES
Years Ended January 31, 2011**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributions	\$ 231,839	\$ 6,661	\$ 238,500
Program service revenue - events	12,821	-	12,821
Bible sales	12,995	-	12,995
Investment income	44,152	-	44,152
Realized and unrealized gain on investments, net	73,396	-	73,396
Other income	3,476	-	3,476
	<u>378,679</u>	<u>6,661</u>	<u>385,340</u>
Total revenues, gains, and public support			
EXPENSES			
Cost of bibles sold and distributed	36,421	-	36,421
General and administrative	279,511	-	279,511
	<u>315,932</u>	<u>-</u>	<u>315,932</u>
Total expenses			
CHANGE IN NET ASSETS	<u>62,747</u>	<u>6,661</u>	<u>69,408</u>
NET ASSETS, BEGINNING OF YEAR, AS ORIGINALLY REPORTED	371,297	724,740	1,096,037
PRIOR PERIOD ADJUSTMENT - CORRECT DUE FROM EVANGELICAL LUTHERAN CHURCH IN AMERICA	<u>48,051</u>	<u>-</u>	<u>48,051</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>419,348</u>	<u>724,740</u>	<u>1,144,088</u>
NET ASSETS, END OF YEAR	<u>\$ 482,095</u>	<u>\$ 731,401</u>	<u>\$ 1,213,496</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENTS OF CASH FLOWS
Years Ended January 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (79,218)	\$ 69,408
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains (losses) on investments	42,557	(73,396)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(1,583)	5,146
Due from Evangelical Lutheran Church in America	30,253	13,638
Consigned inventories	28,909	36,421
Prepaid expenses	(4,378)	-
Accrued expenses and other liabilities	<u>1,559</u>	<u>490</u>
Net cash provided by operating activities	18,099	51,707
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(43,313)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	<u>(14,283)</u>	<u>(6,661)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	3,816	1,733
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>70,549</u>	<u>68,816</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 74,365</u>	<u>\$ 70,549</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2012 and 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lutheran Men in Mission (LMM) is a not-for-profit evangelical organization formed to build men's faith, relationships and ministry through the men's events they produce, the resources they publish and the leaders they develop. LMM's purpose is to further the kingdom of God, to enrich the faith journey of the men of Evangelical Lutheran Church in America (ELCA) and to live out their faith in the Lord Jesus Christ. LMM was also formed to afford men opportunities for spiritual growth and development of an evangelical attitude through prayer and study of the Word, to invite men to faith in Christ and fuller involvement and participation in the life of the congregation, synod and the church-wide organization, and to enable men of the church to support the mission and ministries of ELCA through leadership development and an active organization of service and fellowship. LMM's fiscal year ends on January 31. Significant accounting policies are as follows.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Method of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows GAAP for not-for-profit organizations. GAAP requires LMM to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are generally reported as unrestricted unless assets are received from donors with explicit stipulations that limit the use of the asset. LMM has no temporarily restricted net assets.

Cash and Cash Equivalents

LMM considers all highly liquid investments including certificates of deposit with a maturity of three months or less when purchased to be cash equivalents. LMM cash balances are invested in the Mission Investment Fund, an entity affiliated with ELCA.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist primarily of amounts due from the sale of bibles and other publications and are non-interest bearing. There is no allowance for doubtful accounts recorded against the receivables for the years ended January 31, 2012 and 2011.

Consigned Inventories

Consigned inventories consist of bibles and other publications located at a warehouse operated by an independent third party. Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Investments

Investments consist of shares of ELCA Endowment Fund Pooled Trust, which are carried at fair value. LMM has adopted investment policies which strive to provide a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains) that grows over time approximately in line with the expected long-term rate of inflation. To the extent consistent with this objective, LMM also seeks to provide long-term capital appreciation. Under this policy, the endowment assets are invested in a diversified portfolio consisting principally of domestic and foreign fixed income and equity securities, selected where feasible in accordance with criteria of social responsibility that are consistent with the values and programs of LMM. The mix of investments in the endowment portfolio will approximately reflect target asset allocations determined from time to time by LMM.

LMM has a policy of the board determining when income, if any, will be allocated from the endowment fund, to fund LMM's programs. At the present time, other than the quarterly distributions of investment income, it is the board's policy to grow the endowment fund and not allocate any of the funds. LMM's policy as it relates to the long-term investment fund is to generate income that will remain in the fund. The board may at any time approve other transfers of funds from the endowment account, but no such transfers have been authorized at this time.

Net Assets

Permanently restricted net assets include contributions that donors have specified must be maintained in perpetuity, and, if directed, a portion of investment returns based on instructions in the gift instrument.

Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes or time periods. Temporarily restricted net assets also include investment returns from permanently restricted assets until those amounts are appropriated for spending in accordance with donor restrictions.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Unrestricted net assets represent funds that are fully available at the discretion of the Board of Directors for LMM to utilize in any of its programs or supporting services. Investment income distributed from the permanently restricted net assets and net unrealized gains and losses on permanently restricted net assets are included in the unrestricted net asset funds unless otherwise restricted by donors.

Support and Revenues

LMM receives a significant portion of its operating funds from grants and contributions.

LMM records contributions in accordance with FASB Accounting Standards Codification (ASC) No. 958-605, *Not-for-Profit Entities - Revenue Recognition*. Contributions are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase to unrestricted net assets during the period in which the restriction expires. Investment income and realized and unrealized gains/losses resulting from investments are reported as unrestricted or temporarily restricted net assets, as designated by the donor.

Income Taxes

LMM is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, LMM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). There is no obligation for unrelated business income tax for the years ended January 31, 2012 and 2011.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, LMM uses various valuation approaches within the fair value measurement framework of GAAP. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2012 and 2011

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

As of January 31, 2012 and 2011, the only asset or liability that is measured at fair value on a recurring basis in periods subsequent to initial recognition is investments. Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. LMM's only investment as of January 31, 2012 and 2011 is a pooled trust fund, which is considered a Level 2 financial instrument.

NOTE 3 - INVESTMENTS

Investments consist of shares of ELCA Endowment Fund Pooled Trust. The fair value of these shares totaled \$998,962 and \$1,027,236 as of January 31, 2012 and 2011, respectively. Cost information is not available.

The net unrestricted unrealized loss for the year ended January 31, 2012 was \$42,557 and the net unrestricted unrealized gain was \$73,396 for the year ended January 31, 2011.

Quarterly distributions of investment income received totaled \$43,341 and \$43,313 from the ELCA Endowment Fund Pooled Trust during the years ended January 31, 2012 and 2011, respectively.

NOTE 4 - ENDOWMENTS

LMM's endowment consists of funds established to support LMM's mission. As required by GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

LMM's interpretation of the laws governing restrictions on net appreciation of donor-restricted endowments is based on the Uniform Prudent Management of Institutional Funds Act. Consequently, net appreciation is temporarily restricted if investment income is temporarily restricted; permanently restricted if investment income is permanently restricted; and unrestricted if investment income is unrestricted.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2012 and 2011**

NOTE 4 - ENDOWMENTS (continued)

The changes in endowment net assets for the years ended January 31, 2012 and 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2010	\$ 182,229	\$ -	\$ 724,740	\$ 906,969
Investment return:				
Investment income	40,210	-	-	40,210
Net unrealized gain	<u>73,396</u>	<u>-</u>	<u>-</u>	<u>73,396</u>
Total	295,835	-	724,740	1,020,575
Contributions	<u>-</u>	<u>-</u>	<u>6,661</u>	<u>6,661</u>
Net assets, January 31, 2011	295,835	-	731,401	1,027,236
Investment return:				
Net unrealized loss	<u>(42,557)</u>	<u>-</u>	<u>-</u>	<u>(42,557)</u>
Total	253,278	-	731,401	984,679
Contributions	<u>-</u>	<u>-</u>	<u>14,283</u>	<u>14,283</u>
Net assets, January 31, 2012	<u><u>\$ 253,278</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 745,684</u></u>	<u><u>\$ 998,962</u></u>

NOTE 5 - MANAGEMENT AGREEMENT

LMM has contracted with ELCA to manage its operations. ELCA provides reasonable and necessary human resources, accounting processing, information technology and facilities services for no fee to LMM during the years ended January 31, 2012 and 2011. A fee of \$2,913 was paid to ELCA for facilities space during the year ended January 31, 2012. LMM has agreed to pay ELCA a total of \$14,000 for facilities space, human resources, accounting processing, information technology and facilities services for the year ending January 31, 2013.

Additional services may also be provided by ELCA at a rate of \$33 per hour. During the years ended January 31, 2012 and 2011, no additional services were provided for a fee.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2012 and 2011**

NOTE 6 - PRIOR PERIOD ADJUSTMENT

Amounts due from ELCA of \$55,286 and \$85,539 as of January 31, 2012 and 2011, respectively, represent net amounts resulting from revenues and public support collected by the ELCA and net of expenses paid by ELCA on behalf of LMM. A prior period adjustment was made to the January 31, 2011 Statement of Financial Position and Statement of Activities for the year then ended in the amount of \$48,051 to increase the amount due from ELCA as of February 1, 2010.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 17, 2012, the date the financial statements were available to be issued. Events or transactions occurring after January 31, 2012, but prior to October 17, 2012 that provided additional evidence about conditions that existed at January 31, 2012, have been recognized in the financial statements for the year ended January 31, 2012. Events or transactions that provided evidence about conditions that did not exist at January 31, 2012, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended January 31, 2012.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**LUTHERAN MEN IN MISSION
SCHEDULE OF SPENDING PLAN
Year Ended January 31, 2012**

	<u>Actual</u>	<u>Approved</u>	<u>Difference Over (Under)</u>
REVENUES AND PUBLIC SUPPORT			
Contributions	\$ 221,104	\$ 300,000	\$ (78,896)
Thrivent	3,090	1,000	2,090
Carlson Trust Fund	14,181	15,000	(819)
Investment income:			-
Endowment	43,341	44,000	(659)
Mission Investment Fund	725	900	(175)
Bible sales	24,343	24,000	343
Grants	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>
Total revenues and public support	<u>306,784</u>	<u>409,900</u>	<u>(103,116)</u>
EXPENSES			
Personnel:			
Staff salaries	114,923	112,650	2,273
Benefits	45,095	44,370	725
Travel	<u>3,744</u>	<u>10,000</u>	<u>(6,256)</u>
Total personnel	<u>163,762</u>	<u>167,020</u>	<u>(3,258)</u>
Office:			
Space rental	2,914	8,740	(5,826)
IT/phone	1,342	1,440	(98)
Office supplies	5,862	1,300	4,562
Postage	3,725	-	3,725
Ecumenical relationships	-	200	(200)
Miscellaneous	<u>1,083</u>	<u>500</u>	<u>583</u>
Total office	<u>14,926</u>	<u>12,180</u>	<u>2,746</u>
Financial services:			
Accounting	14,242	4,000	10,242
Financial and HR services (ELCA)	-	5,000	(5,000)
Legal	975	-	975
Liability insurance	<u>1,050</u>	<u>800</u>	<u>250</u>
Total financial services	<u>16,267</u>	<u>9,800</u>	<u>6,467</u>

**LUTHERAN MEN IN MISSION
SCHEDULE OF SPENDING PLAN
Year Ended January 31, 2012**

	<u>Actual</u>	<u>Approved</u>	<u>Difference Over (Under)</u>
EXPENSES (continued)			
Board:			
Consultant	2,000	-	2,000
Travel	27,060	25,000	2,060
Supplies	2,969	-	2,969
Total board	<u>32,029</u>	<u>25,000</u>	<u>7,029</u>
Development council:			
Consultant	11,000	13,700	(2,700)
Travel	2,347	6,000	(3,653)
Contributions solicitations	-	10,000	(10,000)
Contributions recognition	-	1,000	(1,000)
Printing and postage	3,772	6,000	(2,228)
Supplies	4,222	-	4,222
Total development council	<u>21,341</u>	<u>36,700</u>	<u>(15,359)</u>
Young men's ministry:			
Council	-	3,000	(3,000)
YMC staff	10,000	10,000	-
Postage	46	-	46
Resources/events	-	5,000	(5,000)
Research	-	5,000	(5,000)
Supplies	1,117	-	1,117
Travel	5,541	-	5,541
Total young men's ministry	<u>16,704</u>	<u>23,000</u>	<u>(6,296)</u>
Events, retreats, and workshops:			
Events coordinator	-	5,000	(5,000)
Events subsidy	-	5,000	(5,000)
One year to live bibles	-	2,200	(2,200)
Travel	519	-	519
Total events, retreats, and workshops	<u>519</u>	<u>12,200</u>	<u>(11,681)</u>
Leadership development:			
Resources/events	-	5,000	(5,000)
Ministry Specialist program	-	10,000	(10,000)
Seminary bibles	-	3,000	(3,000)
Total leadership development	<u>-</u>	<u>18,000</u>	<u>(18,000)</u>

**LUTHERAN MEN IN MISSION
SCHEDULE OF SPENDING PLAN
Year Ended January 31, 2012**

	<u>Actual</u>	<u>Approved</u>	<u>Difference Over (Under)</u>
EXPENSES (continued)			
Resources - printed materials:			
Contracted services	-	10,000	(10,000)
Master Builders bibles	28,909	22,500	6,409
Printing	230	20,000	(19,770)
Postage/shipping	646	5,500	(4,854)
Warehousing/storage	261	200	61
	<u>30,046</u>	<u>58,200</u>	<u>(28,154)</u>
Total resources - printed materials			
Communications:			
Newsletter editor	7,452	-	7,452
Newsletter design/layout	10,000	13,500	(3,500)
Printing	22,750	20,000	2,750
Postage/shipping	16,777	19,000	(2,223)
Website support	-	2,500	(2,500)
	<u>56,979</u>	<u>55,000</u>	<u>1,979</u>
Total communications			
	<u>352,573</u>	<u>417,100</u>	<u>(64,527)</u>
Total expenses			
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ (45,789)</u>	<u>\$ (7,200)</u>	<u>\$ (38,589)</u>

See independent accountant's review report.

**LUTHERAN MEN IN MISSION
SCHEDULE OF EVENTS
Year Ended January 31, 2012**

REVENUES

Denver gathering:	
Registrations	\$ 39,716
Dinner	7,251
Thrivent grants	30,361
Local grant	<u>1,544</u>
 Total revenues	 <u>78,872</u>

EXPENSES

Catering	16,120
Equipment rental	12,040
Meals	2,676
Postage	2,249
Printing	6,065
Speakers and musicians	16,300
Supplies	4,772
Travel	<u>23,805</u>
 Total expenses	 <u>84,027</u>

DEFICIENCY OF REVENUES OVER EXPENSES \$ (5,155)

See independent accountant's review report.