

**LUTHERAN MEN IN MISSION**  
Chicago, Illinois

**Financial Statements and Supplementary Information**  
January 31, 2018 and 2017

**Together with Independent Accountant's Review Report**

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## Independent Accountant's Review Report

Board of Directors  
Lutheran Men in Mission  
Chicago, Illinois:

We have reviewed the accompanying financial statements of Lutheran Men in Mission (LMM), which comprise the statements of financial position as of January 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

### Accountant's Conclusion

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

### Other Matter

The accompanying Statements of Unrestricted Activities – Detailed is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Seim Johnson, LLP*

Omaha, Nebraska,  
April 30, 2018.

**LUTHERAN MEN IN MISSION**  
**STATEMENTS OF FINANCIAL POSITION**  
**January 31, 2018 and 2017**  
**See Independent Accountant's Review Report**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 46,928	56,730
Contribution and other receivables	26,204	22,968
Prepaid expenses	2,639	-
Consigned inventories	85,845	109,804
Investments	1,366,995	1,205,163
Beneficial interest in perpetual trusts	297,516	271,857
<b>TOTAL ASSETS</b>	<b>\$ 1,826,127</b>	<b>1,666,522</b>
 <b>LIABILITIES AND NET ASSETS</b>		
 <b>LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 10,714	17,449
Due to Evangelical Lutheran Church in America	381,450	369,053
Total Liabilities	392,164	386,502
 <b>NET ASSETS</b>		
Unrestricted	53,403	54,458
Temporarily restricted	6,945	5,000
Permanently restricted	1,373,615	1,220,562
Total net assets	1,433,963	1,280,020
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,826,127</b>	<b>1,666,522</b>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended January 31, 2018**  
**See Independent Accountant's Review Report**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Contributions	\$ 270,480	6,614	-	277,094
Grants	3,000	-	-	3,000
Program service revenue-events	57,552	-	-	57,552
Bible and materials sales	28,851	-	-	28,851
Investment income	63,973	-	-	63,973
Net assets released from restriction	4,669	(4,669)	-	-
Total revenue and public support	<u>428,525</u>	<u>1,945</u>	<u>-</u>	<u>430,470</u>
<b>EXPENSES</b>				
Cost of bibles and materials sold or distributed	27,051	-	-	27,051
Events	81,557	-	-	81,557
General and administrative	355,410	-	-	355,410
Total expenses	<u>464,018</u>	<u>-</u>	<u>-</u>	<u>464,018</u>
<b>Net revenue (expense) from operating activities</b>	<u>(35,493)</u>	<u>1,945</u>	<u>-</u>	<u>(33,548)</u>
<b>NET CHANGE IN INVESTMENTS AND BENEFICIAL INTERESTS</b>				
Realized and unrealized gain on investments, net	34,438	-	127,394	161,832
Change in value of beneficial interest in perpetual trusts	-	-	25,659	25,659
Total net change in investments and beneficial interests	<u>34,438</u>	<u>-</u>	<u>153,053</u>	<u>187,491</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,055)</u>	<u>1,945</u>	<u>153,053</u>	<u>153,943</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>54,458</u>	<u>5,000</u>	<u>1,220,562</u>	<u>1,280,020</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 53,403</u>	<u>6,945</u>	<u>1,373,615</u>	<u>1,433,963</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended January 31, 2017**  
**See Independent Accountant's Review Report**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Contributions	\$ 285,920	-	-	285,920
Grant	6,000	-	-	6,000
Program service revenue-events	3,830	-	-	3,830
Bible and materials sales	19,947	-	-	19,947
Distributions from estates	-	-	3,847	3,847
Investment income	58,933	-	-	58,933
Total revenue and public support	<u>374,630</u>	<u>-</u>	<u>3,847</u>	<u>378,477</u>
<b>EXPENSES</b>				
Cost of bibles and materials sold or distributed	13,327	-	-	13,327
Events	10,083	-	-	10,083
General and administrative	432,062	-	-	432,062
Total expenses	<u>455,472</u>	<u>-</u>	<u>-</u>	<u>455,472</u>
<b>Net revenue (expense) from operating activities</b>	<u>(80,842)</u>	<u>-</u>	<u>3,847</u>	<u>(76,995)</u>
<b>NET CHANGE IN INVESTMENTS AND BENEFICIAL INTERESTS</b>				
Realized and unrealized gain on investments, net	7,458	-	83,844	91,302
Change in value of beneficial interest in perpetual trusts	-	-	16,053	16,053
Total net change in investments and beneficial interests	<u>7,458</u>	<u>-</u>	<u>99,897</u>	<u>107,355</u>
<b>CHANGE IN NET ASSETS</b>	<u>(73,384)</u>	<u>-</u>	<u>103,744</u>	<u>30,360</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>127,842</u>	<u>5,000</u>	<u>1,116,818</u>	<u>1,249,660</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 54,458</u>	<u>5,000</u>	<u>1,220,562</u>	<u>1,280,020</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended January 31, 2018 and 2017  
See Independent Accountant's Review Report

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 153,943	30,360
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Proceeds from contributions restricted for investment in endowment	-	(3,847)
Realized and unrealized gains on investments, net	(161,832)	(91,302)
Change in value of beneficial interests in perpetual trusts	(25,659)	(16,053)
Effects of changes in operating assets and liabilities:		
Contribution and other receivables	(3,236)	3,207
Prepaid expenses	(2,639)	-
Consigned inventories	23,959	16,114
Accounts payable and other accrued expenses	(6,735)	1,209
Due to Evangelical Lutheran Church in America	12,397	89,006
	<u>          </u>	<u>          </u>
Net cash provided by (used in) operating activities	(9,802)	28,694
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of endowment investments	-	(3,847)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from permanently restricted contributions	-	3,847
	<u>          </u>	<u>          </u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(9,802)	28,694
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>56,730</u>	<u>28,036</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 46,928</u>	<u>56,730</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**January 31, 2018 and 2017**  
**See Independent Accountant's Review Report**

**NOTE 1 – DESCRIPTION OF THE ORGANIZATION AND 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 help develop. LMM's purpose is to further the kingdom of God, to enrich the faith journey of the men of the Evangelical Lutheran Church in America (ELCA) and other denominations 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 in accordance with accounting policies generally accepted in the United States of America and are as follows.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 revenue 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.

**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.

**Investments**

Investments consist of shares of ELCA Endowment Fund Pooled Trust – Fund A, which are carried at fair value that is determined using net asset value (NAV). NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. 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



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**NOTE 1 – DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Investment income and realized and unrealized gains/losses resulting from investments are reported as unrestricted, temporarily, or permanently restricted net assets, as designated by the donor.

**Beneficial Interest in Perpetual Trusts**

LMM has a beneficial interest in two perpetual trusts and annually receives income from these trusts. The beneficial interest is recorded at fair value and the income from the trusts is reported as investment income in the statements of activities (see Note 2). Changes in the value of the beneficial interest in the perpetual trusts are included in permanently restricted net assets.

**Net Assets**

Permanently restricted net assets include contributions that donors have specified must be maintained in perpetuity.

Permanently restricted net assets of LMM consist of the following at January 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowments	\$ 1,076,099	948,705
Perpetual trusts	<u>297,516</u>	<u>271,857</u>
	<u>\$ 1,373,615</u>	<u>1,220,562</u>

Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes or time periods.

Temporarily restricted net assets of LMM consist of the following at January 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Men's retreat scholarships	\$ 5,000	5,000
Virgin Islands Disaster Response	<u>1,945</u>	<u>--</u>
	<u>\$ 6,945</u>	<u>5,000</u>

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 realized and unrealized gains and losses on permanently restricted net assets are included in the unrestricted net assets unless otherwise restricted by donors.

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**NOTE 1 – DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions**

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

Unconditional promises to give cash and other assets to LMM are reported at fair value at the date the promise is received or given. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with risk applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Donated property is reported at fair market value on the date it is received or pledged. It is then carried at the lower of donated or current market value.

**Contributed Services**

A number of volunteers have donated various amounts of their time to LMM and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

**Net Revenue (Expense) from Operating Activities**

The statements of activities include net revenue (expense) from operating activities as a performance indicator to distinguish between ministry activities and certain investment activities. Changes in unrestricted net assets which are excluded from the performance indicator include realized and unrealized gains and losses on permanently restricted investments and the change in value of beneficial interest in perpetual trusts.

**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, 2018 and 2017. In accordance with IRS regulations, LMM is not required to file an income tax return.

**Subsequent Events**

LMM considered events occurring through April 30, 2018 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

**LUTHERAN MEN IN MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**January 31, 2018 and 2017**  
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**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:

- 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.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following method and assumption was used to estimate the fair value for the class of financial instrument measured at fair value:

*Beneficial interest in perpetual trusts* – The fair value of the beneficial interest in perpetual trusts is classified as Level 3 as the beneficial interests have no active market and LMM will never receive the perpetual trusts' assets. A majority of the trusts' underlying assets are cash and cash equivalents, taxable and non-taxable bonds, and stocks.

For the fiscal years ended January 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

**LUTHERAN MEN IN MISSION  
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**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Fair Value on a Recurring Basis

The following table presents the balances of assets measured at fair value on a recurring basis.

	<b>January 31, 2018</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, including assets limited as to use - Beneficial interest in perpetual trusts	\$ 297,516	--	--	297,516
Investments valued at net asset value - ELCA Endowment Fund Pooled Trust - Fund A	1,366,995			
Total investments, including assets limited to use	<u>\$ 1,664,511</u>			
	<b>January 31, 2017</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, including assets limited as to use - Beneficial interest in perpetual trusts	\$ 271,857	--	--	271,857
Investments valued at net asset value - ELCA Endowment Fund Pooled Trust - Fund A	1,205,163			
Total investments, including assets limited to use	<u>\$ 1,477,020</u>			

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the years ended January 31, 2018 and 2017:

	<b>Beneficial Interest in Perpetual Trusts</b>
Balance, January 31, 2016	\$ 255,804
Change in value	<u>16,053</u>
Balance, January 31, 2017	271,857
Change in value	<u>25,659</u>
Balance, January 31, 2018	<u>\$ 297,516</u>

**LUTHERAN MEN IN MISSION**  
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**NOTE 3 – INVESTMENTS VALUED AT NET ASSET VALUE**

LMM applies ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which states investments in affiliated and private investment funds valued at NAV are no longer required to be included in the fair value hierarchy. For investments such as pooled trusts, the carrying amount is determined using the calculated net asset value (NAV) provided by the fund. These funds typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of valuation. Underlying securities traded in the over-the counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bid and ask quotes obtained. Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material.

	<b>2018</b>		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$ 1,366,995	--	(A)
	<b>2017</b>		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$ 1,205,163	--	(A)

(A) This category includes an investment in a fund that invests in a diversified balanced portfolio consisting principally of global equities and fixed income securities. The ELCA Endowment Fund Pooled Trust - Fund A is made up of investment pools managed under the supervision of the investment advisor. Redemptions are received through the liquidation of the underlying assets of the funds.

**NOTE 4 – ENDOWMENTS**

LMM’s endowments consist 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.

LMM has elected to deposit all endowment fund monies into the Endowment Fund “A” (Fund A) of the ELCA Endowment Fund Pooled Trust, administered by the ELCA Foundation with the ELCA Board of Pensions, doing business as Portico Benefit Services, an affiliated corporation of the Church, acting as investment advisor.

**LUTHERAN MEN IN MISSION**  
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**NOTE 4 –ENDOWMENTS (continued)**

The changes in endowment net assets for the years ended January 31, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2016	\$ 249,000	861,014	1,110,014
Investment return:			
Investment income	45,360	-	45,360
Net unrealized gain	7,458	83,844	91,302
Total investment return	52,818	83,844	136,662
Contributions invested	-	3,847	3,847
Quarterly distributions for expenditure	(45,360)	-	(45,360)
	<u>7,458</u>	<u>87,691</u>	<u>95,149</u>
Net assets, January 31, 2017	<u>256,458</u>	<u>948,705</u>	<u>1,205,163</u>
Investment return:			
Investment income	47,137	-	47,137
Net unrealized gain	34,438	127,394	161,832
Total investment return	81,575	127,394	208,969
Quarterly distributions for expenditure	(47,137)	-	(47,137)
	<u>34,438</u>	<u>127,394</u>	<u>161,832</u>
Net assets, January 31, 2018	<u><u>\$ 290,896</u></u>	<u><u>1,076,099</u></u>	<u><u>1,366,995</u></u>

The ELCA Foundation has a policy that its board determines 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 LMM's board's policy to grow the endowment fund and not allocate any of the funds to support LMM programs. LMM's policy as it relates to the long-term investment fund is to generate income that will remain in the fund.

Return Objectives and Risk Parameters – Fund A is structured to provide participants with a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains realized by the Fund) that grows over time approximately in line with the expected long-term rate of inflation. The Fund also seeks to provide participants with long-term capital appreciation. Fund A's target asset allocation is 50% U.S. equity, 15% non-U.S. equity, 20% investment grade fixed income, 10% high yield fixed income, and 5% real estate securities.

**LUTHERAN MEN IN MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – ENDOWMENTS (continued)**

Strategies Employed for Achieving Objectives – To satisfy its long-term rate of return objectives, Fund A relies on a total return strategy in which investment return are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Fund A targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – Fund A has a policy of appropriating for distribution each year of up to 4.00% of its endowment fund's average fair value over the prior five years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, Fund A considered the long-term expected return on its endowment. Accordingly, over the long-term, Fund A expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with Fund A's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 5 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

LMM has beneficial interests in the Clarence E. Carlson Trust B and the Irene M. Carlson Trust B which are perpetual (Trusts). The Trusts provide income distributions to LMM by the Trusts' executors with no corresponding transfer of trust assets to LMM. Distributions from the Trusts to LMM amounted to \$16,584 and \$13,368 for the years ended January 31, 2018 and 2017, respectively, and are included in investment income in the statements of activities. The assets of the Trusts, comprised primarily of stocks and bonds, are held in trust in perpetuity. Accordingly, LMM has recorded its beneficial interest in the fair market value of the Trusts in the accompanying financial statements.

**NOTE 6 – MANAGEMENT AGREEMENT**

LMM has a Service Level Agreement (SLA) with ELCA to manage selected operations. ELCA provides reasonable and necessary human resources, accounting processing, information technology and facilities services to LMM. A total of \$11,800 and \$17,100 was paid to ELCA relative to this SLA during each of the years ending January 31, 2018 and 2017, respectively.

Amounts due to ELCA of \$381,450 and 369,053 as of January 31, 2018 and 2017, respectively, represent net amounts resulting from revenue and public support received by the ELCA and net of expenses paid by ELCA on behalf of LMM. The LMM Board intends to repay this amount through excess net revenue from operating activities in future years. In March 2018, the Board of Directors of LMM approved a payment of \$30,000 to the ELCA.

## SUPPLEMENTARY INFORMATION



**LUTHERAN MEN IN MISSION**  
**STATEMENTS OF UNRESTRICTED ACTIVITIES – DETAILED**  
**Years Ended January 31, 2018 and 2017**  
**See Independent Accountant’s Review Report**

	Year Ended January 31, 2018			Year Ended January 31, 2017	
	Actual	Approved	Difference Over(Under)	Actual	Difference Over(Under)
<b>REVENUE AND PUBLIC SUPPORT</b>					
Contributions	\$ 268,323	\$ 300,453	\$ (32,130)	\$ 283,447	\$ (15,124)
Thrivent Choice	2,157	2,500	(343)	2,473	(316)
Grant	3,000	6,000	(3,000)	6,000	(3,000)
Program events - Ragbrai and BMFC	57,552	80,000	(22,448)	3,830	53,722
Bible and materials sales	28,851	20,557	8,294	19,947	8,904
Investment income					
Carlson Trust Funds	16,583	14,000	2,583	13,368	3,215
Endowment	47,137	45,000	2,137	45,360	1,777
Mission Investment Fund	253	200	53	205	48
Net assets released from restriction	4,669	5,000	(331)	-	4,669
Total Revenue and Public Support	428,525	473,710	(45,185)	374,630	53,895
<b>EXPENSES</b>					
Personnel					
Staff salaries	107,354	98,622	8,732	112,779	(5,425)
Benefits	38,238	41,915	(3,677)	53,678	(15,440)
HR Services - ELCA	2,377	2,377	-	3,278	(901)
Travel	10,404	4,200	6,204	4,217	6,187
Total Personnel	158,373	147,114	11,259	173,952	(15,579)
Office					
Space rental and IT services - ELCA	7,956	7,956	-	10,196	(2,240)
Office supplies	187	1,940	(1,753)	1,822	(1,635)
Postage	764	1,000	(236)	880	(116)
Miscellaneous	1,336	870	466	1,080	256
Total Office	10,243	11,766	(1,523)	13,978	(3,735)
Financial Services					
Accounting review	4,300	4,300	-	5,240	(940)
Financial services - ELCA					
Gift processing	-	-	-	1,600	(1,600)
Expense processing	1,467	1,467	-	2,000	(533)
Legal	-	-	-	580	(580)
Liability insurance	1,199	1,500	(301)	1,405	(206)
Total Financial Services	6,966	7,267	(301)	10,825	(3,859)
Board					
Regional development	-	1,000	(1,000)	1,009	(1,009)
Consultant	3,600	3,600	-	3,600	-
Travel, meals, and lodging	15,989	26,000	(10,011)	19,924	(3,935)
Supplies	287	-	287	-	287
Total Board	19,876	30,600	(10,724)	24,533	(4,657)

See independent accountant's review report

**LUTHERAN MEN IN MISSION**  
**STATEMENTS OF UNRESTRICTED ACTIVITIES – DETAILED (CONTINUED)**  
**Years Ended January 31, 2018 and 2017**  
**See Independent Accountant’s Review Report**

	Year Ended January 31, 2018			Year Ended January 31, 2017	
	Actual	Approved	Difference Over(Under)	Actual	Difference Over(Under)
<b>EXPENSES - continued</b>					
Development Council					
Consultant	-	-	-	6,000	(6,000)
Director of Development	37,503	37,500	3	50,004	(12,501)
Travel, meals, and lodging	6,912	18,000	(11,088)	17,047	(10,135)
Printing and postage	5,945	8,000	(2,055)	7,910	(1,965)
Vanco credit card and direct deposit system fees	2,128	2,000	128	1,872	256
Donor contact software	4,500	4,400	100	4,400	100
Total Development Council	<u>56,988</u>	<u>69,900</u>	<u>(12,912)</u>	<u>87,233</u>	<u>(30,245)</u>
Events, Retreats, Workshops					
Colorado backpacking and other	-	-	-	3,691	(3,691)
Gathering expenses	79,289	80,000	(711)	807	78,482
One Year to Live	2,268	13,800	(11,532)	3,036	(768)
Ragbrai bike event	-	-	-	2,549	(2,549)
Total Events, Retreats, Workshops	<u>81,557</u>	<u>93,800</u>	<u>(12,243)</u>	<u>10,083</u>	<u>71,474</u>
Leadership Development					
Personnel salaries and benefits	77,055	77,326	(271)	75,810	1,245
Staff consultant	15,000	15,000	-	15,000	-
Discipleship training	-	10,000	(10,000)	-	-
Ministry Advancement Leadership Team	2,821	7,500	(4,679)	7,366	(4,545)
Ministry specialist program	-	1,200	(1,200)	-	-
Ministry partnerships	172	-	172	-	172
Total Leadership Development	<u>95,048</u>	<u>111,026</u>	<u>(15,978)</u>	<u>98,176</u>	<u>(3,128)</u>
Resources - Printed Materials					
Cost of Bibles and materials sold and distributed	27,051	16,566	10,485	13,327	13,724
Printing and postage	724	2,500	(1,776)	2,021	(1,297)
Warehousing and storage	120	870	(750)	732	(612)
Total Resources - Printed Materials	<u>27,895</u>	<u>19,936</u>	<u>7,959</u>	<u>16,080</u>	<u>11,815</u>
Communications					
Newsletter editor	1,000	3,000	(2,000)	7,200	(6,200)
Newsletter design and layout	2,250	4,500	(2,250)	8,000	(5,750)
Printing	2,117	900	1,217	-	2,117
Postage and shipping	377	750	(373)	711	(334)
Communication infrastructure	1,328	200	1,128	4,701	(3,373)
Total Communications	<u>7,072</u>	<u>9,350</u>	<u>(2,278)</u>	<u>20,612</u>	<u>(13,540)</u>
Total Expenses	<u>464,018</u>	<u>500,759</u>	<u>(36,741)</u>	<u>455,472</u>	<u>8,546</u>
Net Revenue (Expense) from Operating Activities	<u>\$ (35,493)</u>	<u>\$ (27,049)</u>	<u>\$ (8,444)</u>	<u>\$ (80,842)</u>	<u>\$ 45,349</u>

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