

LUTHERAN MEN IN MISSION
Chicago, Illinois

Financial Statements and Supplementary Information
January 31, 2020 and 2019

Together with Independent Accountant's Review Report

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position – January 31, 2020 and 2019	2
Statement of Activities – For the Year Ended January 31, 2020	3
Statement of Activities – For the Year Ended January 31, 2019	4
Statements of Cash Flows – For the Years Ended January 31, 2020 and 2019	5
Notes to Financial Statements	6-15
 SUPPLEMENTARY INFORMATION	
Schedules of Activities Without Donor Restrictions – Detailed – For the Years Ended January 31, 2020 and 2019	16

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, 2020 and 2019, 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 engagements 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 conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying Schedules of Activities Without Donor Restrictions – 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,
May 7, 2020.

LUTHERAN MEN IN MISSION
STATEMENTS OF FINANCIAL POSITION
January 31, 2020 and 2019
See Independent Accountant's Review Report

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 13,116	6,435
Contribution and other receivables	14,289	--
Prepaid expenses	3,000	1,000
Consigned inventories	62,733	71,610
Investments	1,342,621	1,245,125
Beneficial interest in perpetual trusts	<u>279,013</u>	<u>270,465</u>
TOTAL ASSETS	<u>\$ 1,714,772</u>	<u>1,594,635</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued expenses	\$ 13,759	13,997
Due to Evangelical Lutheran Church in America	<u>398,200</u>	<u>291,451</u>
Total liabilities	<u>411,959</u>	<u>305,448</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(35,322)	34,915
With donor restrictions	<u>1,338,135</u>	<u>1,254,272</u>
Total net assets	<u>1,302,813</u>	<u>1,289,187</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,714,772</u>	<u>1,594,635</u>

See independent accountant's review report and accompanying notes.

LUTHERAN MEN IN MISSION
STATEMENT OF ACTIVITIES
For the Year Ended January 31, 2020
See Independent Accountant's Review Report

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND PUBLIC SUPPORT			
Contributions	\$ 164,670	600	165,270
Program service revenue-events	2,933	--	2,933
Bible and materials sales	8,142	--	8,142
Investment income	65,750	--	65,750
Realized and unrealized gain on investments, net	20,531	76,965	97,496
Change in value of beneficial interest in perpetual trusts	--	8,548	8,548
Net assets released from restriction	2,250	(2,250)	--
Total revenue and public support	<u>264,276</u>	<u>83,863</u>	<u>348,139</u>
EXPENSES			
Program services	224,272	--	224,272
Management and general	71,979	--	71,979
Fundraising	38,262	--	38,262
Total expenses	<u>334,513</u>	<u>--</u>	<u>334,513</u>
CHANGE IN NET ASSETS	<u>(70,237)</u>	<u>83,863</u>	<u>13,626</u>
NET ASSETS, BEGINNING OF YEAR	<u>34,915</u>	<u>1,254,272</u>	<u>1,289,187</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (35,322)</u>	<u>1,338,135</u>	<u>1,302,813</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENT OF ACTIVITIES
For the Year Ended January 31, 2019
See Independent Accountant's Review Report**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND PUBLIC SUPPORT			
Contributions	\$ 229,163	2,271	231,434
In-kind contributions	30,000	--	30,000
Grants	300	--	300
Program service revenue-events	14,083	--	14,083
Bible and materials sales	14,376	--	14,376
Investment income	67,078	--	67,078
Realized and unrealized loss on investments, net	(25,937)	(95,933)	(121,870)
Change in value of beneficial interest in perpetual trusts	--	(27,051)	(27,051)
Net assets released from restriction	5,575	(5,575)	--
Total revenue and public support	<u>334,638</u>	<u>(126,288)</u>	<u>208,350</u>
EXPENSES			
Program services	229,903	--	229,903
Management and general	85,929	--	85,929
Fundraising	37,294	--	37,294
Total expenses	<u>353,126</u>	<u>--</u>	<u>353,126</u>
CHANGE IN NET ASSETS	<u>(18,488)</u>	<u>(126,288)</u>	<u>(144,776)</u>
NET ASSETS, BEGINNING OF YEAR	<u>53,403</u>	<u>1,380,560</u>	<u>1,433,963</u>
NET ASSETS, END OF YEAR	<u>\$ 34,915</u>	<u>1,254,272</u>	<u>1,289,187</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENTS OF CASH FLOWS
For the Years Ended January 31, 2020 and 2019
See Independent Accountant's Review Report**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,626	(144,776)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (gains) losses on investments, net	(97,496)	121,870
Change in value of beneficial interest in perpetual trusts	(8,548)	27,051
Effects of changes in operating assets and liabilities:		
Contribution and other receivables	(14,289)	26,204
Prepaid expenses	(2,000)	1,639
Consigned inventories	8,877	14,235
Accounts payable and other accrued expenses	(238)	3,283
Due to Evangelical Lutheran Church in America	106,749	(89,999)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,681	(40,493)
CASH AND CASH EQUIVALENTS, beginning of year	6,435	46,928
CASH AND CASH EQUIVALENTS, end of year	\$ 13,116	6,435

See independent accountant's review report and accompanying notes.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
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 Christian 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 Christian ministries 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 (GAAP) 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are reported as without donor restrictions 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.

Consigned inventories

Consigned inventories consist of *Master Builder Bibles* and *Man Talk* playing cards purchased by LMM and held in a warehouse controlled by the ELCA. Orders for bibles and playing cards and shipping are handled by the ELCA, with funds remitted to LMM along with an inventory count monthly. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

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

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 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 net assets without donor restrictions or net assets with donor restrictions.

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 6). Changes in the value of the beneficial interest in the perpetual trusts are included in net assets with donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following at January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Disaster response	\$ 1,991	3,641
To be maintained in perpetuity:		
Endowments	1,057,131	980,166
Perpetual trusts	<u>279,013</u>	<u>270,465</u>
Total to be maintained in perpetuity	<u>1,336,144</u>	<u>1,250,631</u>
Total net assets with donor restrictions	<u>\$ 1,338,135</u>	<u>1,254,272</u>

Net assets without donor restrictions 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 net assets with donor restrictions and realized and unrealized gains and losses on net assets with donor restrictions are included in net assets without donor restrictions unless otherwise restricted by donors.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

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 donor-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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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

In 2019, LMM received donated services from a personnel recruitment firm in connection with its search for a new Executive Director. These services were valued at the firm's normal rate of 33% of the Executive's compensation. This process was completed by January 31, 2019 with the selection of a candidate and the acceptance of the offer. In-kind revenue and expense of \$30,000 were recorded as of January 31, 2019.

Revenue and Revenue Recognition

LMM sells *Master Builder Bibles* and *Man Talk* playing cards from its consigned inventories of these items. Revenue for sales are recognized during the period in which the units ordered and paid for are shipped. The performance obligation is satisfied when the units are shipped.

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, 2020 and 2019. In accordance with IRS regulations, LMM is not required to file an income tax return.

Change in Accounting Principles

ASU 2014-09 – LMM adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 addresses requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. There were no changes to revenue recognition as a result of adopting ASU 2014-09.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

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

ASU 2018-03 – In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, with further clarifications made in February 2018 with the issuance of ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments*. This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. This guidance also requires changes in net assets without donor restrictions for liabilities accounted for under a fair value option and changes certain presentation and disclosure requirements for financial instruments. LMM has applied that ASU retrospectively to all periods presented. As a result of adopting ASU 2016-01, revenue and public support for the year ended January 31, 2020 now includes the change in net unrealized gains and losses on other than trading securities and the change in value of beneficial interest in perpetual trusts and was recast accordingly as presented on the Statements of Activities.

ASU 2018-18 – Effective February 1, 2019 LMM adopted the provisions of FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective basis. The ASU clarifies and improves current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoption of the standard had no impact on total net assets.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 reporting format.

Subsequent Events

LMM considered events occurring through May 7, 2020 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 13,116	6,435
Contribution and other receivables	14,289	--
Investments	1,342,621	1,245,125
Beneficial interest in perpetual trusts	<u>279,013</u>	<u>270,465</u>
Total financial assets	<u>1,649,039</u>	<u>1,522,025</u>
Less:		
Board designated funds functioning as an endowment	--	(264,959)
Net assets with donor restrictions	<u>(1,338,135)</u>	<u>(1,254,272)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 310,904</u>	<u>2,794</u>

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

NOTE 2 – LIQUIDITY AND AVAILABILITY (Continued)

As further described in Note 8, financial activity of LMM is received and processed by ELCA. This includes the receipt of contributions and other revenue and the payment of expenses by ELCA, on behalf of LMM. Under this agreement, if expenses exceed revenue, the shortfall is absorbed by ELCA, and increases amounts due to ELCA.

At January 31, 2019, the Board of Directors of LMM had designated \$264,959 of investments to function as an endowment. These funds were not intended to be spent from, however those amounts could have been made available for expenditure by an action of the Board of Directors. During fiscal year 2020, the Board of Directors passed a resolution to remove Board designations related to funds functioning as an endowment, to make the funds available for general expenditure.

LMM's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 – 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, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

NOTE 3 – 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.

	January 31, 2020			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trusts	\$ 279,013	--	--	279,013
	January 31, 2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trusts	\$ 270,465	--	--	270,465

NOTE 4 – 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.

	2020		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$ 1,342,621	--	(A)
	2019		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$ 1,245,125	--	(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.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

NOTE 5 – 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 restricted if investment income has donor restrictions; and has no restrictions if investment income is without donor restrictions.

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.

The changes in endowment net assets for the years ended January 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, January 31, 2018	<u>\$ 290,896</u>	<u>1,076,099</u>	<u>1,366,995</u>
Investment return:			
Investment income	49,213	--	49,213
Net unrealized loss	<u>(25,937)</u>	<u>(95,933)</u>	<u>(121,870)</u>
Total investment return	23,276	(95,933)	(72,657)
Quarterly distributions for expenditure	<u>(49,213)</u>	<u>--</u>	<u>(49,213)</u>
	<u>(25,937)</u>	<u>(95,933)</u>	<u>(121,870)</u>
Net assets, January 31, 2019	<u>264,959</u>	<u>980,166</u>	<u>1,245,125</u>
Investment return:			
Investment income	46,064	--	46,064
Net unrealized gain	<u>20,531</u>	<u>76,965</u>	<u>97,496</u>
Total investment return	66,595	76,965	143,560
Quarterly distributions for expenditure	(46,064)	--	(46,064)
Removal of endowment designation by Board	<u>(285,490)</u>	<u>--</u>	<u>(285,490)</u>
	<u>(264,959)</u>	<u>76,965</u>	<u>(187,994)</u>
Net assets, January 31, 2020	<u>\$ --</u>	<u>1,057,131</u>	<u>1,057,131</u>

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

NOTE 5 – ENDOWMENTS (Continued)

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.

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 6 – 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 \$16,637 and \$17,815 for the years ended January 31, 2020 and 2019, 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.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

NOTE 7 – FUNCTIONAL EXPENSE

The table below illustrates LMM's expenses by both their nature and their function for the year ended January 31:

	2020			
	Program Services	Supporting Services		Total
	Ministry Activities	Management and General	Fundraising	
Personnel	\$ 98,058	39,002	28,016	165,076
Office	--	6,777	--	6,777
Financial services	--	7,784	--	7,784
Board	--	17,416	--	17,416
Development council	--	--	9,691	9,691
Events, retreats, workshops	8,409	--	--	8,409
Leadership development	102,371	1,000	--	103,371
Resources - printed materials	7,296	--	555	7,851
Communications	8,138	--	--	8,138
	<u>\$ 224,272</u>	<u>71,979</u>	<u>38,262</u>	<u>334,513</u>

	2019			
	Program Services	Supporting Services		Total
	Ministry Activities	Management and General	Fundraising	
Personnel	\$ 84,079	44,711	24,049	152,839
Office	--	10,384	--	10,384
Financial services	--	7,058	--	7,058
Board	--	21,966	--	21,966
Development council	--	--	13,245	13,245
Events, retreats, workshops	25,783	--	--	25,783
Leadership development	97,117	1,000	--	98,117
Resources - printed materials	11,806	810	--	12,616
Communications	11,118	--	--	11,118
	<u>\$ 229,903</u>	<u>85,929</u>	<u>37,294</u>	<u>353,126</u>

The financial statement report certain categories of expenses that are attributable to more than one program or supporting function of LMM. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated on the basis of estimates of time and effort include personnel.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019
See Independent Accountant's Review Report

NOTE 8 – 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 \$10,600 and \$13,381 was paid to ELCA relative to this SLA during the years ending January 31, 2020 and 2019, respectively.

Amounts due to ELCA of \$398,200 and \$291,451 as of January 31, 2020 and 2019, respectively, represent net amounts resulting from revenue and public support received by the ELCA on behalf of LMM and expenses paid by ELCA on behalf of LMM. LMM has experienced a series of losses generated by its activities without donor restrictions that have been funded by the ELCA and have resulted in a balance due to the ELCA. LMM has received a commitment from the ELCA to continue its current arrangements through January 31, 2022. The LMM Board of Directors intends to repay amounts owed through future pactivities.

NOTE 9 – SUBSEQUENT EVENTS

INVESTMENTS

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. LMM is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. LMM's financial statements do not include adjustments to fair value that have resulted from these declines.

GENERAL OPERATIONS

Subsequent to year-end, LMM has been negatively impacted by the effects of the world-wide coronavirus pandemic. LMM is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to LMM's financial position is not known.

SUPPLEMENTARY INFORMATION

LUTHERAN MEN IN MISSION
SCHEDULES OF ACTIVITIES WITHOUT DONOR RESTRICTIONS – DETAILED
Years Ended January 31, 2020 and 2019
See Independent Accountant's Review Report

	Year Ended January 31, 2020			Year Ended January 31, 2019	
	Actual	Approved	Difference	Actual	Difference
		Budget	Over(Under)		Over(Under)
REVENUE AND PUBLIC SUPPORT					
Contributions	\$ 163,358	\$ 250,000	\$ (86,642)	\$ 227,897	\$ (64,539)
In-kind contribution of executive search services	--	--	--	30,000	(30,000)
Thrivent choice contributions	1,312	1,200	112	1,266	46
Grant	--	300	(300)	300	(300)
Bible and materials sales	8,142	15,000	(6,858)	14,376	(6,234)
Program events					
Ragbrai and BMFC	1,425	2,700	(1,275)	2,664	(1,239)
LMM disaster relief	--	--	--	5,298	(5,298)
Bold Gathering webcasts	1,508	3,200	(1,692)	3,121	(1,613)
OYTL Bibles	--	--	--	3,000	(3,000)
Investment income					
Carlson trust funds	16,637	17,800	(1,163)	17,815	(1,178)
Endowment	49,064	48,603	461	49,213	(149)
Mission investment fund	49	--	49	50	(1)
Realized and unrealized gain on investments, net	20,531	--	20,531	(25,937)	46,468
Net assets released from restriction	2,250	2,100	150	5,575	(3,325)
	<u>264,276</u>	<u>340,903</u>	<u>(76,627)</u>	<u>334,638</u>	<u>(70,362)</u>
EXPENSES					
Personnel					
Executive Director salary and benefits	129,764	133,200	(3,436)	117,054	12,710
Transition assistant	21,927	23,000	(1,073)	--	21,927
In-kind executive search services	--	--	--	30,000	(30,000)
HR services - ELCA	3,067	3,067	--	2,696	371
Travel	10,318	10,000	318	3,089	7,229
Total personnel	<u>165,076</u>	<u>169,267</u>	<u>(4,191)</u>	<u>152,839</u>	<u>12,237</u>
Office					
Space rental and IT services - ELCA	5,963	5,963	--	9,021	(3,058)
Office supplies	--	200	(200)	60	(60)
Postage	222	500	(278)	336	(114)
Miscellaneous	592	400	192	967	(375)
Total office	<u>6,777</u>	<u>7,063</u>	<u>(286)</u>	<u>10,384</u>	<u>(3,607)</u>
Financial services					
Accounting review	5,050	4,550	500	4,400	650
Financial services - ELCA					
Expense processing	1,571	1,571	--	1,664	(93)
Liability insurance	1,163	1,000	163	994	169
Total financial services	<u>7,784</u>	<u>7,121</u>	<u>663</u>	<u>7,058</u>	<u>726</u>
Board					
Consultant	--	3,900	(3,900)	3,900	(3,900)
Travel, meals, and lodging	17,416	23,000	(5,584)	17,284	132
Supplies	--	--	--	782	(782)
Total board	<u>17,416</u>	<u>26,900</u>	<u>(9,484)</u>	<u>21,966</u>	<u>(4,550)</u>

See independent accountant's review report

LUTHERAN MEN IN MISSION
SCHEDULES OF ACTIVITIES WITHOUT DONOR RESTRICTIONS – DETAILED (CONTINUED)
Years Ended January 31, 2020 and 2019
See Independent Accountant’s Review Report

	Year Ended January 31, 2020			Year Ended January 31, 2019	
	Actual	Approved Budget	Difference Over(Under)	Actual	Difference Over(Under)
EXPENSES - continued					
Development council					
Travel, meals, and lodging	1,689	10,000	(8,311)	522	1,167
Printing and postage	1,030	5,500	(4,470)	5,441	(4,411)
Vanco credit card and direct deposit system fees	1,872	2,300	(428)	2,182	(310)
Donor contact software	5,100	5,100	--	5,100	--
Total development council	<u>9,691</u>	<u>22,900</u>	<u>(13,209)</u>	<u>13,245</u>	<u>(3,554)</u>
Events, retreats, workshops					
On Line Bold gathering expenses	2,285	3,000	(715)	2,823	(538)
LMM disaster relief	2,250	2,100	150	10,225	(7,975)
One Year to Live					
Retreat scholarships and travel	684	7,000	(6,316)	6,284	(5,600)
Bibles and crosses	1,680	3,795	(2,115)	3,950	(2,270)
Ragbrai bike event	1,510	2,600	(1,090)	2,501	(991)
Total events, retreats, workshops	<u>8,409</u>	<u>18,495</u>	<u>(10,086)</u>	<u>25,783</u>	<u>(17,374)</u>
Leadership development					
Personnel salaries and benefits	88,119	87,320	799	85,200	2,919
Staff consultant	10,000	10,000	--	10,000	--
Project XII editor	4,581	5,000	(419)	2,917	1,664
Project XII program	671	6,000	(5,329)	--	671
Discipleship training	--	6,000	(6,000)	--	--
Ministry specialist program	--	1,000	(1,000)	--	--
Total leadership development	<u>103,371</u>	<u>115,320</u>	<u>(11,949)</u>	<u>98,117</u>	<u>5,254</u>
Resources - printed materials					
Cost of Bibles and materials sold and distributed	7,197	13,600	(6,403)	11,806	(4,609)
Printing and postage	99	2,500	(2,401)	--	99
Warehousing and storage	555	810	(255)	810	(255)
Total resources - printed materials	<u>7,851</u>	<u>16,910</u>	<u>(9,059)</u>	<u>12,616</u>	<u>(4,765)</u>
Communications					
Newsletter editor	2,000	2,000	--	1,800	200
Newsletter design and layout	4,417	4,900	(483)	6,535	(2,118)
Printing	26	2,000	(1,974)	1,094	(1,068)
Postage and shipping	385	750	(365)	486	(101)
Communication infrastructure	1,310	1,585	(275)	1,203	107
Total communications	<u>8,138</u>	<u>11,235</u>	<u>(3,097)</u>	<u>11,118</u>	<u>(2,980)</u>
Total expenses	<u>334,513</u>	<u>395,211</u>	<u>(60,698)</u>	<u>353,126</u>	<u>(18,613)</u>
Net change in net assets	<u>\$ (70,237)</u>	<u>\$ (54,308)</u>	<u>\$ (15,929)</u>	<u>\$ (18,488)</u>	<u>\$ (51,749)</u>

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