

LUTHERAN MEN IN MISSION
Chicago, Illinois

Financial Statements and Supplementary Information
January 31, 2019 and 2018

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, 2019 and 2018, 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 conclusion.

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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, LMM adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. Our conclusion is not modified with respect to this matter.

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 2, 2019.

LUTHERAN MEN IN MISSION
STATEMENTS OF FINANCIAL POSITION
January 31, 2019 and 2018
See Independent Accountant's Review Report

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 6,435	46,928
Contribution and other receivables	--	26,204
Prepaid expenses	1,000	2,639
Consigned inventories	71,610	85,845
Investments	1,245,125	1,366,995
Beneficial interest in perpetual trusts	270,465	297,516
TOTAL ASSETS	\$ 1,594,635	1,826,127
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued expenses	\$ 13,997	10,714
Due to Evangelical Lutheran Church in America	291,451	381,450
Total liabilities	305,448	392,164
 NET ASSETS		
Without donor restrictions	34,915	53,403
With donor restrictions	1,254,272	1,380,560
Total net assets	1,289,187	1,433,963
TOTAL LIABILITIES AND NET ASSETS	\$ 1,594,635	1,826,127

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
Net assets released from restriction	5,575	(5,575)	--
Total revenue and public support	<u>360,575</u>	<u>(3,304)</u>	<u>357,271</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>
NET REVENUE (EXPENSE) FROM OPERATING ACTIVITIES	<u>7,449</u>	<u>(3,304)</u>	<u>4,145</u>
NET CHANGE IN INVESTMENTS AND BENEFICIAL INTERESTS			
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)
Total net change in investments and beneficial interests	<u>(25,937)</u>	<u>(122,984)</u>	<u>(148,921)</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
STATEMENT OF ACTIVITIES
For the Year Ended January 31, 2018
See Independent Accountant's Review Report

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND PUBLIC SUPPORT			
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>430,470</u>
EXPENSES			
Program services	292,382	--	292,382
Management and general	91,096	--	91,096
Fundraising	80,540	--	80,540
Total expenses	<u>464,018</u>	<u>--</u>	<u>464,018</u>
NET REVENUE (EXPENSE) FROM OPERATING ACTIVITIES	<u>(35,493)</u>	<u>1,945</u>	<u>(33,548)</u>
NET CHANGE IN INVESTMENTS AND BENEFICIAL INTERESTS			
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>153,053</u>	<u>187,491</u>
CHANGE IN NET ASSETS	<u>(1,055)</u>	<u>154,998</u>	<u>153,943</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>54,458</u>	<u>1,225,562</u>	<u>1,280,020</u>
NET ASSETS, END OF YEAR	<u>\$ 53,403</u>	<u>1,380,560</u>	<u>1,433,963</u>

See independent accountant's review report and accompanying notes.

**LUTHERAN MEN IN MISSION
STATEMENTS OF CASH FLOWS
For the Years Ended January 31, 2019 and 2018
See Independent Accountant's Review Report**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (144,776)	153,943
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (gains) losses on investments, net	121,870	(161,832)
Change in value of beneficial interest in perpetual trusts	27,051	(25,659)
Effects of changes in operating assets and liabilities:		
Contribution and other receivables	26,204	(3,236)
Prepaid expenses	1,639	(2,639)
Consigned inventories	14,235	23,959
Accounts payable and other accrued expenses	3,283	12,397
Due to Evangelical Lutheran Church in America	<u>(89,999)</u>	<u>(6,735)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,493)	(9,802)
CASH AND CASH EQUIVALENTS, beginning of year	<u>46,928</u>	<u>56,730</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,435</u>	<u>46,928</u>

See independent accountant's review report and accompanying notes.

LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018
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 (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 purchased by LMM and held in a warehouse controlled by the ELCA. Orders for bibles 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, 2019 and 2018
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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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Men's retreat scholarships	\$ --	5,000
Disaster response	3,641	1,945
Total purpose restrictions	<u>3,641</u>	<u>6,945</u>
To be maintained in perpetuity:		
Endowments	980,166	1,076,099
Perpetual trusts	270,465	297,516
Total to be maintained in perpetuity	<u>1,250,631</u>	<u>1,373,615</u>
Total net assets with donor restrictions	<u>\$ 1,254,272</u>	<u>1,380,560</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
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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 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 have been recorded as of January 31, 2019.

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 net assets without donor restrictions, which are excluded from the performance indicator, include realized and unrealized gains and losses on 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, 2019 and 2018. In accordance with IRS regulations, LMM is not required to file an income tax return.

Change in Accounting Principle

On February 1, 2018, LMM adopted the provisions of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. This ASU made several changes to accounting and financial reporting standards for not-for-profit entities related to net assets, and disclosure requirements.

See Note 9 for additional information regarding the impact of these changes in LMM's financial statements.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting format.

Subsequent Events

LMM considered events occurring through May 2, 2019 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>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 6,435	46,928
Contribution and other receivables	--	26,204
Investments	1,245,125	1,366,995
Beneficial interest in perpetual trusts	<u>270,465</u>	<u>297,516</u>
Total financial assets	<u>1,522,025</u>	<u>1,737,643</u>
Less:		
Board designated funds functioning as an endowment	(264,959)	(290,896)
Net assets with donor restrictions	<u>(1,254,272)</u>	<u>(1,380,560)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,794</u>	<u>66,187</u>

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

As of 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. Subsequent to January 31, 2019, 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 and funds designated by the Board of Directors to function as an endowment. 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.

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NOTES TO FINANCIAL STATEMENTS
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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, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent.

**LUTHERAN MEN IN MISSION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018
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, 2019			
		Total	Level 1	Level 2	Level 3
Investments -					
Beneficial interest in perpetual trusts	\$	270,465	--	--	270,465
Investments valued at net asset value - ELCA Endowment Fund Pooled Trust - Fund A		1,245,125			
Total investments	\$	1,515,590			
		January 31, 2018			
		Total	Level 1	Level 2	Level 3
Investments -					
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	\$	1,664,511			

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, 2019 and 2018:

	Beneficial Interest in Perpetual Trusts
Balance, January 31, 2017	\$ 271,857
Change in value	25,659
Balance, January 31, 2018	297,516
Change in value	(27,051)
Balance, January 31, 2019	\$ 270,465

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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.

	2019		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$ 1,245,125	--	(A)
	2018		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	\$ 1,366,995	--	(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 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – ENDOWMENTS (Continued)

The changes in endowment net assets for the years ended January 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 31, 2017	\$ 256,458	948,705	1,205,163
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)
	34,438	127,394	161,832
Net assets, January 31, 2018	290,896	1,076,099	1,366,995
Investment return:			
Investment income	49,213	--	49,213
Net unrealized loss	(25,937)	(95,933)	(121,870)
Total investment return	23,276	(95,933)	(72,657)
Quarterly distributions for expenditure	(49,213)	--	(49,213)
	(25,937)	(95,933)	(121,870)
Net assets, January 31, 2019	\$ 264,959	980,166	1,245,125

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.

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NOTE 5 – ENDOWMENTS (Continued)

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 \$17,815 and \$16,583 for the years ended January 31, 2019 and 2018, 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 7 – FUNCTIONAL EXPENSE

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

	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>

LUTHERAN MEN IN MISSION
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NOTE 7 – FUNCTIONAL EXPENSE (Continued)

	2018			
	Program Services	Supporting Services		Total
	Ministry Activities	Management and General	Fundraising	
Personnel	\$ 82,430	52,391	23,552	158,373
Office	--	10,243	--	10,243
Financial services	--	6,966	--	6,966
Board	--	19,876	--	19,876
Development council	--	--	56,988	56,988
Events, retreats, workshops	81,557	--	--	81,557
Leadership development	93,548	1,500	--	95,048
Resources - printed materials	27,775	120	--	27,895
Communications	7,072	--	--	7,072
	<u>\$ 292,382</u>	<u>91,096</u>	<u>80,540</u>	<u>464,018</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.

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 \$13,381 and \$11,800 was paid to ELCA relative to this SLA during the years ending January 31, 2019 and 2018, respectively.

Amounts due to ELCA of \$291,451 and \$381,450 as of January 31, 2019 and 2018, respectively, represent net amounts resulting from revenue and public support received from the ELCA and 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.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

LMM has adopted the provisions of FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 made several changes to accounting and financial reporting for not-for-profit entities, including changes to the presentation of net assets, qualitative and quantitative information of how an entity manages liquidity and availability of financial assets to meet needs for expenditures, reporting of expenses by natural classification and functional classification, as well as expanded footnote disclosures. As a result of adopting ASU 2016-14, the following changes were made to the opening balances of net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets, as previously reported, January 31, 2017	\$ 54,458	5,000	1,220,562	--	--	1,280,020
Adoption of ASU 2016-14	<u>(54,458)</u>	<u>(5,000)</u>	<u>(1,220,562)</u>	<u>54,458</u>	<u>1,225,562</u>	<u>--</u>
Net assets as restated, January 31, 2017	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>54,458</u>	<u>1,225,562</u>	<u>1,280,020</u>

SUPPLEMENTARY INFORMATION

LUTHERAN MEN IN MISSION
SCHEDULES OF ACTIVITIES WITHOUT DONOR RESTRICTIONS – DETAILED
Years Ended January 31, 2019 and 2018
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	Year Ended January 31, 2019			Year Ended January 31, 2018	
	Actual	Approved	Difference	Actual	Difference
		Budget	Over(Under)		Over(Under)
REVENUE AND PUBLIC SUPPORT					
Contributions	\$ 227,897	\$ 275,000	\$ (47,103)	\$ 268,323	\$ (40,426)
In-kind contribution of executive search services	30,000	--	30,000	--	30,000
Thrivent choice contributions	1,266	2,200	(934)	2,157	(891)
Grant	300	8,880	(8,580)	3,000	(2,700)
Bible and materials sales	14,376	24,000	(9,624)	28,851	(14,475)
Program events					
Ragbrai and BMFC	2,664	--	2,664	57,552	(54,888)
LMM disaster relief	5,298	--	5,298	--	5,298
Bold Gathering webcasts	3,121	--	3,121	--	3,121
OYTL Bibles	3,000	3,000	--	--	3,000
Investment income					
Carlson trust funds	17,815	17,800	15	16,583	1,232
Endowment	49,213	47,000	2,213	47,137	2,076
Mission investment fund	50	--	50	253	(203)
Net assets released from restriction	5,575	5,000	575	4,669	906
	<u>360,575</u>	<u>382,880</u>	<u>(22,305)</u>	<u>428,525</u>	<u>(67,950)</u>
Total Revenue and Public Support					
EXPENSES					
Personnel					
Staff salaries	76,991	83,640	(6,649)	107,354	(30,363)
Benefits	40,063	41,820	(1,757)	38,238	1,825
In-kind executive search services	30,000	--	30,000	--	30,000
HR services - ELCA	2,696	2,687	--	2,377	319
Travel	3,089	10,000	(6,911)	10,404	(7,315)
Total personnel	<u>152,839</u>	<u>138,147</u>	<u>14,692</u>	<u>158,373</u>	<u>(5,534)</u>
Office					
Space rental and IT services - ELCA	9,021	9,699	(678)	7,956	1,065
Office supplies	60	200	(140)	187	(127)
Postage	336	1,000	(664)	764	(428)
Miscellaneous	967	800	167	1,336	(369)
Total office	<u>10,384</u>	<u>11,699</u>	<u>(1,315)</u>	<u>10,243</u>	<u>141</u>
Financial services					
Accounting review	4,400	4,400	--	4,300	100
Financial services - ELCA					
Expense processing	1,664	1,425	239	1,467	197
Liability insurance	994	1,200	(206)	1,199	(205)
Total financial services	<u>7,058</u>	<u>7,025</u>	<u>33</u>	<u>6,966</u>	<u>92</u>
Board					
Ambassadors	--	1,000	(1,000)	--	--
Consultant	3,900	3,900	--	3,600	300
Travel, meals, and lodging	17,284	16,000	1,284	15,989	1,295
Supplies	782	--	782	287	495
Total board	<u>21,966</u>	<u>20,900</u>	<u>1,066</u>	<u>19,876</u>	<u>2,090</u>

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LUTHERAN MEN IN MISSION
SCHEDULES OF ACTIVITIES WITHOUT DONOR RESTRICTIONS – DETAILED (CONTINUED)
Years Ended January 31, 2019 and 2018
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	Year Ended January 31, 2019			Year Ended January 31, 2018	
	Actual	Approved Budget	Difference Over(Under)	Actual	Difference Over(Under)
EXPENSES - continued					
Development council					
Director of development	--	--	--	37,503	(37,503)
Travel, meals, and lodging	522	10,000	(9,478)	6,912	(6,390)
Printing and postage	5,441	6,000	(559)	5,945	(504)
Vanco credit card and direct deposit system fees	2,182	2,300	(118)	2,128	54
Donor contact software	5,100	4,800	300	4,500	600
Total development council	<u>13,245</u>	<u>23,100</u>	<u>(9,855)</u>	<u>56,988</u>	<u>(43,743)</u>
Events, retreats, workshops					
On Line Bold gathering expenses	2,823	3,000	(177)	--	2,823
National gathering expenses	--	--	--	79,289	(79,289)
LMM disaster relief	10,225	--	10,225	--	10,225
One Year to Live					
Retreat scholarships and travel	6,284	14,600	(8,316)	--	6,284
Bibles and crosses	3,950	4,380	(430)	2,268	1,682
Ragbrai bike event	2,501	--	2,501	--	2,501
Total events, retreats, workshops	<u>25,783</u>	<u>21,980</u>	<u>3,803</u>	<u>81,557</u>	<u>(55,774)</u>
Leadership development					
Personnel salaries and benefits	85,200	85,466	(266)	77,055	8,145
Staff consultant	10,000	10,000	--	15,000	(5,000)
Project XII editor	2,917	5,000	(2,083)	--	2,917
Discipleship training	--	7,500	(7,500)	--	--
Ministry advancement leadership team	--	7,500	(7,500)	2,821	(2,821)
Ministry specialist program	--	1,500	(1,500)	--	--
Ministry partnerships	--	--	--	172	(172)
Total leadership development	<u>98,117</u>	<u>116,966</u>	<u>(18,849)</u>	<u>95,048</u>	<u>3,069</u>
Resources - printed materials					
Cost of Bibles and materials sold and distributed	11,806	19,440	(7,634)	27,051	(15,245)
Printing and postage	--	2,500	(2,500)	724	(724)
Warehousing and storage	810	870	(60)	120	690
Total resources - printed materials	<u>12,616</u>	<u>22,810</u>	<u>(10,194)</u>	<u>27,895</u>	<u>(15,279)</u>
Communications					
Newsletter editor	1,800	2,000	(200)	1,000	800
Newsletter design and layout	6,535	4,900	1,635	2,250	4,285
Printing	1,094	2,000	(906)	2,117	(1,023)
Postage and shipping	486	750	(264)	377	109
Communication infrastructure	1,203	1,585	(382)	1,328	(125)
Total communications	<u>11,118</u>	<u>11,235</u>	<u>(117)</u>	<u>7,072</u>	<u>4,046</u>
Total expenses	<u>353,126</u>	<u>373,862</u>	<u>(20,736)</u>	<u>464,018</u>	<u>(110,892)</u>
Net revenue (expense) from operating activities	<u>\$ 7,449</u>	<u>\$ 9,018</u>	<u>\$ (1,569)</u>	<u>\$ (35,493)</u>	<u>\$ 42,942</u>

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