



Consolidated Financial Statements  
December 31, 2015 and 2014

# Trinity Lutheran Church and Foundation

Trinity Lutheran Church and Foundation

Table of Contents

December 31, 2015 and 2014

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Independent Auditor's Report.....	1
Financial Statements	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements .....	7



## Independent Auditor's Report

Church Council  
Trinity Lutheran Church and Foundation  
Moorhead, Minnesota

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Trinity Lutheran Church and Foundation, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity Lutheran Church and Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Eide Bailly LLP*

Fargo, North Dakota  
November 2, 2016

Trinity Lutheran Church and Foundation  
Consolidated Statements of Financial Position  
December 31, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents		
Church	\$ 452,769	\$ 525,515
Lost and Found	119,206	69,352
Foundation	19,321	19,705
	591,296	614,572
Accounts receivable	53,371	50,307
Total current assets	644,667	664,879
Cash Restricted to Building Fund	229,260	229,297
Investments		
Church	56,378	57,453
Lost and Found	517,777	551,052
Foundation	2,234,740	2,354,128
	2,808,895	2,962,633
Property and Equipment, Net of Accumulated Depreciation	6,084,841 (4,142,044) 1,942,797	6,066,818 (4,019,130) 2,047,688
	\$ 5,625,619	\$ 5,904,497
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 25,181	\$ 7,342
Accrued vacation	17,094	14,940
Total current liabilities	42,275	22,282
Net Assets		
Unrestricted		
Unrestricted	125,500	195,296
Unrestricted - Invested in property and equipment	1,942,797	2,047,688
Board designated	199,528	225,798
Total unrestricted	2,267,825	2,468,782
Temporarily restricted	1,900,251	1,996,493
Permanently restricted	1,415,268	1,416,940
	5,583,344	5,882,215
	\$ 5,625,619	\$ 5,904,497

Trinity Lutheran Church and Foundation  
Consolidated Statements of Activities  
For the Year Ended December 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Offering and contributions	\$ 1,182,549	\$ 126,538	\$ 8,328	\$ 1,317,415
Tuition and fees	531,519	15,118	-	546,637
Interest and dividends	1,043	139,222	-	140,265
Ministry income	1,879	315,371	-	317,250
Net unrealized gain/ (loss) on investments	6,272	(183,740)	-	(177,468)
Realized gain on investments	-	946	-	946
Grant revenue	-	259,640	-	259,640
Other revenues and support	29,735	18,904	-	48,639
Change in value of split-interest agreement	10,000	-	(10,000)	-
Net assets released from restrictions	788,241	(788,241)	-	-
	2,551,238	(96,242)	(1,672)	2,453,324
<b>Expenses</b>				
General and administrative	1,249,540	-	-	1,249,540
Ministry	382,549	-	-	382,549
Preschool	568,007	-	-	568,007
Depreciation	122,914	-	-	122,914
Friends in Faith	155,285	-	-	155,285
Grant expense	225,387	-	-	225,387
Foundation gifts	48,513	-	-	48,513
	2,752,195	-	-	2,752,195
Change in Net Assets	(200,957)	(96,242)	(1,672)	(298,871)
Net Assets, Beginning of Year	2,468,782	1,996,493	1,416,940	5,882,215
Net Assets, End of Year	\$ 2,267,825	\$ 1,900,251	\$ 1,415,268	\$ 5,583,344

Trinity Lutheran Church and Foundation  
Consolidated Statements of Activities  
For the Year Ended December 31, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Offering and contributions	\$ 1,157,183	\$ 159,291	\$ 19,046	\$ 1,335,520
Tuition and fees	552,498	6,575	-	559,073
Interest and dividends	1,100	154,266	-	155,366
Ministry income	317	413,996	-	414,313
Net unrealized gain/ (loss) on investments	-	(74,774)	-	(74,774)
Realized gain on investments	-	87,507	-	87,507
Grant revenue	65,807	-	-	65,807
Other revenues and support	57,743	29,371	-	87,114
Net assets released from restrictions	732,479	(732,479)	-	-
	2,567,127	43,753	19,046	2,629,926
<b>Expenses</b>				
General and administrative	1,190,658	-	-	1,190,658
Ministry	466,136	-	-	466,136
Preschool	532,878	-	-	532,878
Lilly III expenses	234,516	-	-	234,516
Depreciation	125,773	-	-	125,773
Friends in Faith	83,774	-	-	83,774
Grant expense	65,869	-	-	65,869
Foundation gifts	78,746	-	-	78,746
	2,778,350	-	-	2,778,350
Change in Net Assets	(211,223)	43,753	19,046	(148,424)
Net Assets, Beginning of Year	2,680,005	1,952,740	1,397,894	6,030,639
Net Assets, End of Year	\$ 2,468,782	\$ 1,996,493	\$ 1,416,940	\$ 5,882,215

Trinity Lutheran Church and Foundation  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ (298,871)	\$ (148,424)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	122,914	125,773
Realized loss (gain) on investments	946	(87,507)
Unrealized (gain) loss on investments	177,468	74,774
Contributions restricted to endowment	(8,328)	(19,046)
Changes in assets and liabilities		
Accounts receivable	(3,064)	(10,869)
Grant receivable	-	15,000
Accounts payable	17,839	4,163
Accrued liabilities	2,154	(892)
Net Cash from (used for) Operating Activities	11,058	(47,028)
Investing Activities		
Change in cash restricted to building fund	37	(11,995)
Proceeds from sale of investments	104,940	163,051
Purchase of investments	(129,616)	(155,412)
Purchases of property and equipment	(18,023)	(45,069)
Net Cash used for Investing Activities	(42,662)	(49,425)
Financing Activities		
Cash collected, restricted to endowment	8,328	19,046
Net Cash from Financing Activities	8,328	19,046
Net Change in Cash and Cash Equivalents	(23,276)	(77,407)
Cash and Cash Equivalents, Beginning of Year	614,572	691,979
Cash and Cash Equivalents, End of Year	\$ 591,296	\$ 614,572



## **Note 1 - Nature of Activities and Significant Accounting Policies**

### **Nature of Activities**

Trinity Lutheran Church (the Church) was organized on December 1, 1882, and is a constituent of the Evangelical Lutheran Church of America. The Church is a nonprofit organization and is dedicated to the proclaiming and propagating of the Christian Faith through the means of Grace. The Church also operates a preschool which provides daycare and education to young children. The Church is supported primarily through contributions from the congregation. These financial statements reflect the activity of these church funds: Preschool, Friends in Faith, Memorial, Building, Foundation, Lilly Transition into Ministry, General Ministries. The Friends in Faith funds are used to support individuals for servant and ministry trips. The Memorial funds are used for various Church activities including gifts, education, music, and other designated Church purposes. The Lilly Transition into Ministry Funds are used to help new pastors transition into ministry.

The Trinity Lutheran Church Foundation was established as an endowment to accumulate congregational giving and is authorized to establish an annual spending rate to support local, regional, and global non-profit and religious organizations.

The Lost and Found Ministry – Gulling’s Trust (Lost and Found) started in 1987 in Moorhead, MN with the mission to educate, facilitate sobriety, heal and promote growth and renewal. Lost and Found is a nonprofit organization with the philosophy to be a ministry of healing for those afflicted with addictions. Included in these programs is providing intervention support and counseling as expanding an addiction library, titled Project Hope. Lost and Found is supported primarily through contributions, fund raisers, and other various grants.

Starting in the fall of 2014, Trinity Lutheran Church received a grant from the state of Minnesota. With the receipt of this grant, the Organization is planning to set up a separate entity, ReGROUP, to receive the grant funds and disburse expenses. This grant is to increase awareness, provide recovery support, and build community capacity to support individuals in recovery from substance use. The Organization is eligible to receive additional amounts under the grant award for the period January 1, 2015 through June 30, 2017 in the amount of \$474,659 subject to the approval of the Minnesota Department of Human Services.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Trinity Lutheran Church and Foundation and Lost and Found Ministry – Gulling’s Trust. All significant intercompany accounts and transactions have been eliminated in the consolidation.

### **Cash and Cash Equivalents**

Cash and cash equivalents include all currency, demand deposits and highly liquid investments with an original maturity of three months or less when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash restricted to building expenditures, permanent endowment or other long-term purposes are excluded from this definition.

### **Concentration of Credit Risk**

The Church maintains cash balances at a certain financial institution. The accounts at the institution are insured by the Federal Deposit Insurance Corporation. At times during the year, the Church's bank balances exceeded this limit.

### **Receivables**

Accounts receivables are uncollateralized preschool customer obligations due under normal payment terms requiring payments within 30 days from the invoice date and are non-interest bearing. Payments on receivables are applied to specific unpaid invoices. Management reviews these receivables at year-end and charges operations with those considered uncollectible. All remaining receivables are considered collectible.

### **Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2015 and 2014, respectively.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair market value on the date of donation. The Church carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices (all Level 1 or level 2 measurements) in the Statement of Financial Position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Unrestricted funds include funds available for the general purpose of the Church.
- Unrestricted Net Assets Invested in Property and Equipment – Unrestricted funds that include the resources expended for property and equipment acquisitions less the related accumulated depreciation.
- Unrestricted Net Assets – Board designated – Unrestricted funds designated for specific purposes by the Church Executive Committee.
- Temporarily Restricted – Net assets subject to donor restrictions that may or will be met by expenditures or actions by Trinity Lutheran Church and Foundation and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by Trinity's Foundation Board of Directors.

Trinity Lutheran Church and Foundation reports contributions as temporarily 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 restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Trinity Lutheran Church and Foundation. The restrictions stipulate that resources be maintained permanently but permit Trinity Lutheran Church and Foundation to expend the income generated in accordance with the provisions of the agreements.

### **Revenue and Revenue Recognition**

Offering and contributions are considered available for unrestricted use unless specifically restricted by the donor. Tuition and fees for the preschool program are recognized as services are provided to the children.

### **Donated Services**

No amounts have been reflected in the consolidated financial statements for donated services. The Church pays for certain services requiring specific expertise, however, a substantial number of volunteers have donated their time in support of the church. Contributed services do not meet the recognition criteria prescribed by generally accepted accounting principles.

## **Income Taxes**

Trinity Lutheran Church and Foundation are organized as Minnesota nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. As a religious organization, Trinity Lutheran Church and Foundation are not required to file any federal or state income tax returns.

Gullings Trust is organized as a Minnesota nonprofit trust and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(viii), and has been determined not to be a private foundation under Sections 509(a)(3), respectively. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

We believe that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. We would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

## **Estimates**

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

**Note 2 - Property and Equipment**

Property and equipment consists of the following:

	2015	2014
Land	\$ 549,690	\$ 549,690
Buildings	4,524,529	4,517,527
Furniture and Equipment	1,010,622	999,601
	\$ 6,084,841	\$ 6,066,818

**Note 3 - Retirement Plan**

The Church participates in a pension plan through the ELCA Board of Pensions. The plan is available for all clergy and pastoral residents who work a minimum of 20 hours a week and for six months or more. Contributions are 10% of total salary and housing allowance.

The Church also participates in a 403(b) retirement plan through Thrivent Financial for Lutherans. The plan is available for certain full-time employees and part time employees who work 900 or more hours per year. Eligible employees must also have attained the age of 21 and have completed one year of service. The Church contributes 7% of gross salaries for qualified employees into the plan.

Total contributions to these plans were \$49,939 and \$58,654 for the years ended December 31, 2015 and 2014.

**Note 4 - Board Designated Net Assets**

The Church Executive Committee has made the following designations of unrestricted net assets as of December 31, 2015 and 2014.

	2015	2014
Council Reserve Fund	\$ 165,896	\$ 165,896
Equipment Fund	33,632	33,632
Friends in Faith	-	26,270
	\$ 199,528	\$ 225,798

**Note 5 - Temporarily Restricted Net Assets**

Net assets are temporarily restricted for the following purposes as of December 31, 2015 and 2014:

	2015	2014
Unappropriated Earnings on Endowment	\$ 819,220	\$ 962,075
Lost and Found Ministry - Program	593,970	608,348
Lost and Found Ministry - Otto Bremer Grant	38,893	-
Lost and Found Ministry - Client Assistance	1,000	-
Lost and Found Ministry - reGROUP	9,619	-
Building Fund	229,260	229,297
Memorial and Dedicated Funds	104,970	88,846
90/10 Funds	-	23,935
Youth Scholarships - Moberg/Eide	22,982	22,080
Youth Scholarships - Bible Camp	19,301	17,467
Computer/Software Fund	12,004	15,076
Haiti Medical Mission	29,185	11,147
Youth - General	19,598	16,020
Friends in Faith	-	2,202
Thrivent Choice Dollars, Inc.	249	-
	\$ 1,900,251	\$ 1,996,493

Net assets were released from restrictions as follows during the years ended December 31, 2015 and 2014:

	2015	2014
Satisfaction of purpose restrictions		
Memorial and Dedicated Funds	\$ 96,735	\$ 218,274
Lost and Found Ministry - General Program	167,176	180,626
Lost and Found Ministry - Otto Bremer Grant	19,961	-
Lost and Found Ministry - reGROUP	205,426	-
Haiti Medical Mission	65,543	96,564
Friends in Faith	153,013	83,774
Restricted-purpose spending-rate appropriations		
Foundation	48,557	60,384
Building for Missions	19,595	42,460
Lilly III	-	20,893
Thrivent Choice Dollars, Inc.	743	19,655
Youth Scholarships - Bible Camp	3,900	5,500
Youth - General	170	2,449
Youth Scholarships - Moberg/Eide	4,350	1,900
Computer/Software Fund	3,072	-
	\$ 788,241	\$ 732,479

**Note 6 - Permanently Restricted Net Assets**

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. The income from these investments is available for the Church to spend for various purposes and is considered temporarily restricted until expended for those purchases. Permanently restricted net assets consisted of the following as of December 31, 2015 and 2014:

	2015	2014
General Endowment Fund	\$ 870,281	\$ 867,218
Project Seed Fund - Seminary Tuition, Bible Camp, and Lost and Found Ministry	401,113	395,903
Moberg Fund - Youth Support	102,156	102,156
Ida C. Eid Fund - Youth Support	20,413	20,413
Gillespie Fund - Music Ministry	11,295	11,240
Plant Maintenance Fund - Facility Maintenance	10,010	10,010
Carlson Annuity Fund - Split-Interest Agreement	-	10,000
	\$ 1,415,268	\$ 1,416,940

**Note 7 - Investments and Fair Value Measurements**

Investments consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Investments Recorded at Cost		
Certificates of Deposit	\$ 52,382	\$ 52,231
Money Market Deposit Accounts	76,728	49,753
Rio Rancho Property	1,602	1,602
	130,712	103,586
Investments Recorded at Fair Value		
Common Stock	518,537	533,007
Corporate Bonds	336,211	330,712
Exchange Traded Funds	152,883	153,629
Government Securities	23,606	23,726
Mutual Funds	1,646,946	1,817,973
	2,678,183	2,859,047
Total investments	\$ 2,808,895	\$ 2,962,633

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Church can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Church develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Church's assessment of the quality, risk or liquidity profile of the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

- Mutual Funds and Exchange Traded Funds (ETF's) – Valued at the quoted market net asset value (NAV) of shares held by the Church at year end.
- Common Stock, Government and Preferred Securities – Valued at the closing price reported on the active market on which the individual securities are traded.
- Corporate Bonds – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Church believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



Trinity Lutheran Church and Foundation  
Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

The following tables set forth by level, within the fair value hierarchy, the Church's assets at fair value as of December 31, 2015 and 2014:

	2015			Total
	(Level 1)	(Level 2)	(Level 3)	
Common Stock				
Basic Materials	\$ 96,979	\$ -	\$ -	\$ 96,979
Consumer Goods	74,667	-	-	74,667
Financial	62,654	-	-	62,654
Healthcare	103,724	-	-	103,724
Industrial Goods	32,609	-	-	32,609
Services	35,135	-	-	35,135
Technologies	93,940	-	-	93,940
Utilities	18,829	-	-	18,829
Total Common Stock	<u>518,537</u>	<u>-</u>	<u>-</u>	<u>518,537</u>
Corporate Bonds	<u>-</u>	<u>336,211</u>	<u>-</u>	<u>336,211</u>
Exchange Traded Funds				
Financial	4,964	-	-	4,964
High Yield Bond	34,995	-	-	34,995
Intermediate Term Bond	31,864	-	-	31,864
Large Blend	63,994	-	-	63,994
Corporate Bond	17,066	-	-	17,066
Total Exchange Traded Funds	<u>152,883</u>	<u>-</u>	<u>-</u>	<u>152,883</u>
Government Securities	<u>23,606</u>	<u>-</u>	<u>-</u>	<u>23,606</u>
Mutual Funds				
Bank Loan	2,004	-	-	2,004
Convertibles	27,244	-	-	27,244
Emerging Markets	60,881	-	-	60,881
Foreign Large Blend	7,800	-	-	7,800
Foreign Large Growth	76,543	-	-	76,543
Foreign Small Value	3,577	-	-	3,577
Global Real Estate	42,576	-	-	42,576
High Yield Bond	90,149	-	-	90,149
Intermediate Term Bond	58,557	-	-	58,557
Emerging Market Bond	25,359	-	-	25,359
Large Blend	26,247	-	-	26,247
Large Growth	245,034	-	-	245,034
Large Value	69,644	-	-	69,644
Market Neutral	22,216	-	-	22,216
Mid-Cap Blend	42,947	-	-	42,947
Mid-Cap Growth	90,110	-	-	90,110
Mid-Cap Value	38,080	-	-	38,080
Moderate Allocation	110,284	-	-	110,284
Multisector Bond	95,128	-	-	95,128
Small Blend	61,900	-	-	61,900
Small Growth	2,697	-	-	2,697
Small Value	100,425	-	-	100,425
World Allocation	115,385	-	-	115,385
World Bond	60,540	-	-	60,540
World Stock	171,619	-	-	171,619
Total Mutual Funds	<u>1,646,946</u>	<u>-</u>	<u>-</u>	<u>1,646,946</u>
Certificates of Deposit	-	52,382	-	52,382
Money Market Deposit Accounts	-	76,728	-	76,728
Rio Rancho Property	-	1,602	-	1,602
	<u>\$ 2,341,972</u>	<u>\$ 466,923</u>	<u>\$ -</u>	<u>\$ 2,808,895</u>

Trinity Lutheran Church and Foundation  
Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

	2014			
	(Level 1)	(Level 2)	(Level 3)	Total
Common Stock				
Basic Materials	\$ 94,648	\$ -	\$ -	\$ 94,648
Consumer Goods	84,242	-	-	84,242
Financial	68,173	-	-	68,173
Healthcare	82,183	-	-	82,183
Industrial Goods	36,011	-	-	36,011
Services	43,838	-	-	43,838
Technologies	95,571	-	-	95,571
Utilities	28,341	-	-	28,341
Total Common Stock	<u>533,007</u>	<u>-</u>	<u>-</u>	<u>533,007</u>
Corporate Bonds	-	330,712	-	330,712
Exchange Traded Funds				
Financial	5,393	-	-	5,393
High Yield Bond	34,740	-	-	34,740
Intermediate Term Bond	72,443	-	-	72,443
Large Blend	26,817	-	-	26,817
Corporate Bond	14,236	-	-	14,236
Total Exchange Traded Funds	<u>153,629</u>	<u>-</u>	<u>-</u>	<u>153,629</u>
Government Securities	<u>23,726</u>	<u>-</u>	<u>-</u>	<u>23,726</u>
Mutual Funds				
Bank Loan	2,036	-	-	2,036
Convertibles	27,879	-	-	27,879
Emerging Markets	83,975	-	-	83,975
Emerging Market Bonds	26,703	-	-	26,703
Foreign Large Blend	7,843	-	-	7,843
Foreign Large Growth	75,470	-	-	75,470
Foreign Small Value	3,245	-	-	3,245
Global Real Estate	44,432	-	-	44,432
High Yield Bond	101,082	-	-	101,082
Intermediate Term Bond	59,809	-	-	59,809
Large Blend	27,355	-	-	27,355
Large Growth	278,504	-	-	278,504
Large Value	109,022	-	-	109,022
Market Neutral	22,160	-	-	22,160
Mid-Cap Blend	54,298	-	-	54,298
Mid-Cap Growth	94,387	-	-	94,387
Mid-Cap Value	37,497	-	-	37,497
Moderate Allocation	110,862	-	-	110,862
Multisector Bond	105,630	-	-	105,630
Small Blend	66,942	-	-	66,942
Small Growth	2,848	-	-	2,848
Small Value	107,334	-	-	107,334
World Allocation	123,478	-	-	123,478
World Bond	64,403	-	-	64,403
World Stock	180,779	-	-	180,779
Total Mutual Funds	<u>1,817,973</u>	<u>-</u>	<u>-</u>	<u>1,817,973</u>
Certificates of Deposit	-	52,231	-	52,231
Money Market Deposit Accounts	-	49,753	-	49,753
Rio Rancho Property	-	1,602	-	1,602
	<u>\$ 2,528,335</u>	<u>\$ 330,712</u>	<u>\$ -</u>	<u>\$ 2,962,633</u>

**Note 8 - Endowment**

Trinity Lutheran Church and Foundation’s endowment consists of funds established for assisting local churches and organizations. The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation Board of Directors has interpreted the interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2015 and 2014, there were no such donor stipulations. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of December 31, 2015 and 2014, we had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets,				
December 31, 2013	\$ 11,485	\$ 925,864	\$ 1,397,894	\$ 2,335,243
Contributions	-	-	19,046	19,046
Investment income	1,675	124,756	-	126,431
Net realized and unrealized appreciation	11	5,353	-	5,364
Appropriations for expenses	(13,171)	(93,898)	-	(107,069)
Donor-restricted endowment net assets,				
December 31, 2014	-	962,075	1,416,940	2,379,015
Contributions	-	-	8,328	8,328
Investment income	-	113,802	-	113,802
Net realized and unrealized appreciation	-	(154,078)	-	(154,078)
Change in split-interest	-	-	(10,000)	(10,000)
Appropriations for expenses	-	(102,579)	-	(102,579)
Donor-restricted endowment net assets,				
December 31, 2015	\$ -	\$ 819,220	\$ 1,415,268	\$ 2,234,488

*Funds with Deficiencies*

At times, certain donor-restricted endowment funds may have fair values less than the amount of the original gifts (the permanently restricted portion of the funds). There were no such deficiencies as of December 31, 2015 and 2014.

*Investment and Spending Policies*

Trinity Lutheran Church and Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

We use an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2015 and 2014, the spending rate maximum was 5% and 4%, respectively. In establishing this policy, we considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

**Note 9 - Functional Expenses**

Total expenses by function were as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Program	\$ 2,242,638	\$ 2,299,350
Management and general	509,557	479,000
Fundraising and development	-	-
	\$ 2,752,195	\$ 2,778,350

**Note 10 - Subsequent Events**

Subsequent to year end, the Church purchased a building on its east lot for \$120,000 with \$2,000 in earnest money.

We have evaluated subsequent events through November 2, 2016, the date the consolidated financial statements were available to be issued.