Lutheran Braille Workers, Inc.

Consolidated Financial Statements and
Independent Auditor's Report

Year Ended December 31, 2022
(With Summarized Comparative Data for 2021)

Lutheran Braille Workers, Inc.

Table of Contents

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Independent Auditor's Report

The Board of Directors
Lutheran Braille Workers, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Lutheran Braille Workers, Inc. (a nonprofit organization) and its Subsidiary (Lutheran Blind Mission Society), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Braille Workers, Inc. and its Subsidiary as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lutheran Braille Workers, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
April 18, 2023

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position
December 31, 2022
(With Summarized Comparative Data for 2021)

	2022	2021
Assets		
Cash and cash equivalents		
Cash available for operations	$ 487,726	$ 1,228,557
Temporary cash investments	2,367	1,971
Total cash and cash equivalents	490,093	1,230,528
Contributions receivable	1,007,789	237,753
Employee advances	13,477	31,222
Investments	425,317	509,699
Beneficial interests in perpetual trusts	1,047,090	1,237,033
Property and equipment, net	1,494,296	1,555,525
Deposits and prepaid expenses	6,995	15,864
Total Assets	$ 4,485,057	$ 4,817,624
Liabilities		
Accounts payable	$ 93,041	$ 23,505
Accrued payroll	14,765	10,385
Other accrued liabilities	2,087	3,293
Current portion of long-term debt	103,076	82,302
Long-term debt, net of current portion	632,478	684,290
Total Liabilities	845,447	803,775
Net Assets		
Without donor restrictions	2,300,652	2,476,460
With donor restrictions	1,338,958	1,537,389
Total Net Assets	3,639,610	4,013,849
Total Liabilities and Net Assets	$ 4,485,057	$ 4,817,624

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Activities
For the Year Ended December 31, 2022
(With Summarized Comparative Data for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Contributions				
Individuals	$ 2,024,809	$ -	$ 2,024,809	$ 2,426,644
Foundations/grants	209,327	-	209,327	171,754
Noncash service contributions	-	-	-	3,597
Other income	18,704	-	18,704	9,417
Released from restriction	198,431	(198,431)	-	-
Total Support and Revenue	2,451,271	(198,431)	2,252,840	2,611,412
Expenses				
Braille services	1,501,699	-	1,501,699	918,615
Management and general	603,002	-	603,002	609,435
Fundraising	184,963	-	184,963	218,065
Total Expenses	2,289,664	-	2,289,664	1,746,115
Change in Net Assets from Operations	161,607	(198,431)	(36,824)	865,297
Non-operating Revenue and Expenses				
PPP loan forgiveness	-	-	-	131,790
Interest and dividend income, net of fees	9,522	-	9,522	9,622
Investment gains (losses)	(346,937)	-	(346,937)	151,191
Total Non-operating Revenue	(337,415)	-	(337,415)	292,603
Change in Net Assets	(175,808)	(198,431)	(374,239)	1,157,900
Net Assets at Beginning of Year, Prior to Restatement	2,476,460	1,537,389	4,013,849	2,910,314
Prior Period Restatement	-	-	-	(54,365)
Net Assets at Beginning of year, as Restated	2,476,460	1,537,389	4,013,849	2,855,949
Net Assets at End of Year	$ 2,300,652	$ 1,338,958	$ 3,639,610	$ 4,013,849

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Summarized Comparative Data for 2021)

	2022				
	Programs	Supporting Services			2021
	Braille Services	Management and General	Fundraising	Total Expenses	Total Expenses
Expenses					
Paper	$ 211,994	$ 75,938	$ 28,477	$ 316,409	$ 118,672
Publishing material and supplies	44,278	-	-	44,278	52,203
Ministry production center supplies	25,196	-	-	25,196	17,971
Other production center material	31,919	-	-	31,919	24,561
Employee compensation	656,707	235,239	88,214	980,160	870,851
Accounting and legal	-	66,416	-	66,416	35,547
Contract services	1,258	450	169	1,877	-
Supplies	20,105	7,202	2,701	30,008	13,188
Postage and shipping	32,263	11,557	4,334	48,154	57,481
Occupancy	28,740	10,294	3,861	42,895	37,314
Other taxes	-	15,391	-	15,391	-
Repairs and maintenance	41,561	-	-	41,561	36,503
Printing and publications	41,103	14,724	5,521	61,348	75,528
Travel and conference	87,527	31,353	11,757	130,637	83,923
Depreciation	88,888	31,840	11,940	132,668	71,778
Insurance	21,532	7,712	2,892	32,136	32,365
Board of Directors	21,143	8,810	5,286	35,239	39,043
Computer programming	58,033	20,788	7,795	86,616	37,262
General expense	89,452	32,043	12,016	133,511	141,925
Interest expense	-	33,245	-	33,245	-
Total Expenses	$ 1,501,699	$ 603,002	$ 184,963	$ 2,289,664	$ 1,746,115

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Summarized Comparative Data for 2021)

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	$ (374,239)	$ 1,157,900
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Adjustments to reconcile excess of support and revenue over operating expenses to net cash provided by operating activities:		
Depreciation expense	132,668	71,778
Realized/unrealized investment (gains)	266,682	(151,191)
Interest income	(60)	(9,622)
PPP loan forgiveness	-	(131,790)
Loss on disposal of assets	42,343	-
(Increase) decrease in:		
Contributions receivable	(770,036)	(176,090)
Employee advances	17,745	(31,222)
Deposits and prepaid expenses	8,869	(2,825)
Increase (decrease) in:		
Accounts payable	69,536	12,188
Accrued payroll	4,380	10,385
Other accrued liabilities	(1,206)	(3,692)
Compensated absences	(11,774)	1,945
Net Cash (Used for) Provided by Operating Activities	(615,092)	747,764
Cash Flows from Investing Activities		
Proceeds from PPP loan	-	131,790
Purchase of investments	7,703	7,703
Purchases of property and equipment	(80,136)	(322,970)
Net Cash Used for Investing Activities	(72,433)	(183,477)
Cash Flows from Capital and Related Financing Activities		
Repayments of loans payable	(52,910)	(36,676)
Net Cash Used for Capital and Related Financing Activities	(52,910)	(36,676)
Net (decrease) Increase in Cash	(740,435)	527,611
Cash at Beginning of Year	1,230,528	702,917
Cash at End of Year	$ 490,093	$ 1,230,528
NON-CASH CAPITAL FINANCING AND INVESTING ACTIVITIES		
Financed capital assets and leases	$ 33,646	$ 747,535

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

Organization and Nature of Activities

Lutheran Braille Workers, Inc. (LBW) is a not-for-profit corporation incorporated under the laws of the State of California on December 30, 1954. LBW prints and distributes Braille and large print Bible materials free of charge, to the blind and visually impaired throughout the world. LBW is substantially supported through individual contributions. Most of the printing and distribution work is performed by volunteers in the 101 production centers located in the United States.

Effective July 1, 2012 LBW affiliated with Lutheran Blind Mission Society (LBMS) whereby LBW became the sole member of LBMS, resulting in a parent-subsidiary relationship between the two corporations. LBMS is a not-for-profit corporation incorporated under the laws of the State of Missouri. LBMS, in association with certain Lutheran Church Missouri Synod Congregations, has maintained outreach centers for the blind. These centers are designed to assist blind and visually impaired people by offering such things as computer and job training, lessons on reading Braille, workshops on topics of interest, Bible studies and devotions, and a free monthly meal for attendees and their families.

Financial Statement Presentation

Financial statement presentation follows disclosures under United States Generally Accepted Accounting Principles (U.S. GAAP). The Organization has adopted the requirements of ASU 2016-14, which requires the Organization 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 subject to donor-imposed stipulations are contributions that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, these assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Consolidation

The consolidated financial statements include the accounts of LBW and LBMS. All significant intercompany balances and transactions are eliminated.

Cash

For purposes of the statement of cash flows, LBW considers all highly liquid certificates of deposit purchased with an original maturity of one year or less to be cash equivalents.

Note 1: Summary of Significant Accounting Policies, (Continued)

Investments

Donated investments are recorded at fair market value at the date of donation, which approximates the current fair market value. LBW carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued payroll and benefits. The recorded values of the financial instruments approximate their fair values based on their short-term nature.

Property and Equipment

Purchased property and equipment are capitalized at cost. It is LBW's policy to capitalize property over $5,000. Lesser amounts are expensed on the statement of activities. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, LBW reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. LBW reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Donated equipment is recorded at fair market value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributions

LBW accounts for contributions in accordance with authoritative guidance on contributions and disclosures under U.S. GAAP. Under this guidance, contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any restrictions imposed by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, LBW reports the support as contributions without donor restrictions.

Note 1: Summary of Significant Accounting Policies, (Continued)

Beneficial Interest in Trusts Held by Third Parties

LBW is the beneficiary of the income of fourteen perpetual endowment trusts that it does not administer. The investments of each trust are administered by a trustee who is independent of LBW, and distributions are made to LBW in accordance with the trust agreement for each trust. These trusts are invested in cash and cash equivalents, fixed income funds, mutual funds and equities. LBW records its interest in these trusts at fair market value within net assets with donor restrictions.

Income earned on these trusts paid throughout the year is classified as earnings without donor restrictions in the accompanying statement of activities. For the year ended December 31, 2022 the amount resulted in a decrease change in value of $258,561. LBW had beneficial interest in fourteen trust agreements totaling $1,047,090.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax

No provision or benefit for income taxes has been included in these financial statements since LBW and LBMS are exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). LBW and LBMS have also received exemptions from the Internal Revenue Service and Franchise Tax Board relieving these corporations from filing Tax Exempt Organization tax returns.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies, (Continued)

Reclassification

Certain reclassifications have been made to prior year's balances to conform to classifications used in 2022.

Subsequent Events

Management has evaluated subsequent events through April 18, 2023 the date which the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Note 2: Investments

Investments at December 31, 2022 consisted of the following:

	Market Value
Equity securities:	
LCMS Foundation	$ 158,625
Fixed income securities:	
LCMS Foundation	124,583
Total Securities	283,208
Other investments:	
Lutheran Legacy Foundation:	
Fund balances - mutual funds	126,346
Oil and gas investment	1,400
Cash surrender value of donated life insurance policies	14,363
Total Other Investments	142,109
Total Investments	$ 425,317

Custodial fees for the LCMS Foundation was $1,655 for the year ended December 31, 2022.

Note 2: Investments, (Continued)

Investments returns for the year ended December 31, 2022 was as follows:

Unrealized gain (loss), net of investments	$	(110,013)
Realized gain (loss), net of investments		21,178
Interest income on cash		1,398
Interest and dividend income on investments		11,468
Increase in cash surrender value of life insurance		459
Less: Investment fees		(3,343)
Net Return on Assets Without Donor Restrictions	$	(78,853)
Unrealized Loss in Net Assets with Donor Restrictions	$	(258,561)

Note 3: Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are:

Level 1: Represented by quoted prices that are available in an active market for identical assets or liabilities.

Level 2: Represented by generally indirect information such as quoted prices for similar assets or liabilities in active market, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Represented by inputs that are unobservable and include the reporting LBW's own assumptions about pricing.

The estimated fair values of LBW's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

In determining the appropriate levels, LBW performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. Annually all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 3: Fair Value Measurements, (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2022:

	Level 2	Level 3	Total
Equity securities	$ 286,371	$ -	$ 286,371
Fixed income securities	124,583	-	124,583
Cash surrender of life insurance	-	14,363	14,363
Beneficial interest in trusts held by third parties	-	1,047,090	1,047,090
Total Investments	$ 410,954	$ 1,061,453	$ 1,472,407

Equity and fixed income securities are classified as Level 2 instruments as they are captive mutual funds (Managed by LCMS Foundation) which do not have quoted market prices in active markets for identical assets. The value is determined using information provided by the LCMS Foundation using daily market closing values.

Cash surrender value of life insurance policies (CSV) contributed to LBW is classified as Level 3 instrument as there is no market for these policies. Cash surrender value is estimated using various insurance companies' computation of value. Total aggregate CSV is $14,363 at December 31, 2022.

Beneficial interests in trusts, aggregating $1,047,090 at December 31, 2022. These investments, held by third parties, are classified as Level 3 instruments as there is no market for LBW's trust interests.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the Codification topic, Fair Value Measurements, requires a reconciliation of the beginning and ending balances LBW, separately for each major category of assets and liabilities, which may be presented net.

Note 4: Concentrations of Credit Risk

Financial instruments that potentially subject LBW to concentrations of credit risk consist of temporary cash investments, promises to give receivable and investment in mutual fund balances.

LBW maintains cash balances at several financial institutions located in the Yucaipa area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation, up to $250,000. During the year LBW's cash balances exceeded the insured limit from time to time. At December 31, 2022 LBW cash balances did not exceed the insured limit. LBW maintains an uninsured balance with the Lutheran Church Extension Fund in the amount of $352,404 as of December 31, 2022.

Note 4: Concentrations of Credit Risk, (Continued)

Approximately $724,518 representing 30% of LBW's total support was provided from estates and grants for December 31, 2022.

LBW maintains mutual fund balances managed by the Lutheran Church Missouri Synod Foundation. The amount was $285,575 at December 31, 2022.

Note 5: Contributions Receivable

Contributions receivable consist of unconditional promises to give from estates and grants, as well as certain split interest agreements. Contributions receivable as of December 31, 2022, net of respective allowances, consisted of:

	Estates	Grants	Promises to Give	Split Interest Agreements	Total
Up to one year	$ 793,110	$ 132,500	$ 47,476	$ 3,834	$ 976,920
Two to five years	-	-	-	15,336	15,336
More than five years	-	-	-	21,153	21,153
Subtotal	793,110	132,500	47,476	40,323	1,013,409
Less discount (3%-8%)	-	-	-	(5,620)	(5,620)
Total Contributions Receivable	$ 793,110	$ 132,500	$ 47,476	$ 34,703	$ 1,007,789

Contributions receivable consist of unconditional promises to give from estates and grants, as well as certain split interest agreements.

No allowance for uncollectible promises has been provided for December 31, 2022. The split interest agreements are gifts managed by LCMS, and Texas foundations are amounts to be received in various amounts through 2033.

Note 6: Property and Equipment

A summary of changes to property and equipment is as follows:

	Beginning Balance*	Additions	Deletions	Ending Balance
Non-Depreciable Assets				
Land	$ 92,240	$ -	$ -	$ 92,240
Total Non-Depreciable Assets	92,240	-	-	92,240
Depreciable Assets				
Building	1,372,170	29,769	-	1,401,939
Office Equipment	590,663	20,774	403,153	208,284
Leased Printer Equipment	456,306	33,646	-	489,952
Vehicles & Equipment	116,749	-	9,132	107,617
Braille Equipment	1,007,210	29,593	-	1,036,803
Total Depreciable Assets	3,543,098	113,782	412,285	3,244,595
Accumulated Depreciation				
Building	(1,032,540)	(11,451)	-	(1,043,991)
Office Equipment	(473,766)	(10,070)	(360,810)	(123,026)
Leased Printer Equipment	(45,631)	(46,925)	-	(92,556)
Vehicles & Equipment	(42,667)	(6,643)	(9,132)	(40,178)
Braille Equipment	(485,209)	(57,579)	-	(542,788)
Total Accumulated Depreciation	(2,079,813)	(132,668)	(369,942)	(1,842,539)
Property and equipment, net Accumulated Depreciation	$ 1,555,525	$ (18,886)	$ 42,343	$ 1,494,296

*Some beginning balances were reclassified from one asset category to an asset category deemed more appropriate by management. Beginning net assets were not affected as a result of this change. Depreciation expense for the year ended December 31, 2022 was $132,668.

Note 7: Employee Benefit Plans

Qualified Cash or Deferred Compensation Plan

LBW maintains a SIMPLE IRA plan under section 408(p) of the Internal Revenue Code. Under the plan, domestic employees may elect to defer up to $6,000 of their salary, subject to Internal Revenue Service limits. In addition, the plan allows for LBW to make discretionary contributions based on the participants' salaries and to contribute a matching percentage of the first three percent (3%) of employee contributions. The matching contributions were ceased by the Organization on April 1, 2020, however they began again after December 31, 2020. LBW's contributions to the plan amounted to $37,321 for the year ended December 31, 2022.

Note 8: Long-Term Liabilities

A summary of changes to long-term liabilities is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Direct Borrowings					
Roof Improvement Ygrene	$ 181,578	$ -	$ 2,155	$ 179,423	$ 4,466
Insulation Improvement Ygrene	109,651	-	1,301	108,350	2,697
	291,229	-	3,456	287,773	7,163
Capital Leases Payable					
Toshiba Business Solutions	34,190	33,646	12,460	55,376	15,228
Printer Xerox Financial	385,440	-	36,994	348,446	59,276
	419,630	33,646	49,454	403,822	74,504
Total Loans Payable	710,859	33,646	52,910	691,595	81,667
Other Liabilities					
Compensated absences	55,733	11,411	23,185	43,959	21,409
Total Long-Term Debt	$ 766,592	$ 45,057	$ 76,095	$ 735,554	$ 103,076

Direct Borrowings

Roof Replacement Loan Payable

On October 19, 2021, LBW entered into a 20 year finance agreement, contract number CA-517-9K34TM with Ygrene, interest rate 7.25%, principal balance of $181,578. Debt service payments are due semi-annually on April 30th and December 31st.

Insulation Loan Payable

On August 19, 2021, LBW entered into a 20 year finance agreement, contract number CA-517-Q3QD2X with Ygrene, interest rate 7.25%, principal balance of $109,651. Debt service payments are due semi-annually on April 30th and December 31st.

Note 8: Long-Term Liabilities, (Continued)

Direct Borrowings (Continued)

The debt-service requirements for direct borrowings as of December 31, 2022 are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	$ 7,163	$ 10,557	$ 17,720
2024	7,163	20,864	28,027
2025	7,682	20,344	28,026
2026	8,239	19,787	28,026
2027	8,837	19,190	28,027
Thereafter	248,689	178,556	427,245
Total	$ 287,773	$ 269,298	$ 557,071

Leases Payable

LBW leases certain equipment under finance type leases. The economic substance of the leases is that the Corporation is financing the acquisition of the equipment through the leases and, accordingly, the equipment is recorded as assets and the leases are recorded as liabilities.

Toshiba Printer Lease Payable

In 2021, LBW entered into 5; 60-month finance lease agreement, with Toshiba Financial Services, interest rate 2.25%, principal balance of $39,582. Lease payment are due monthly.

In 2022, LBW entered into 4; 60-month finance lease agreement, with Toshiba Financial Services, interest rate 2.25%, principal balance of $37,737. Lease payment are due monthly.

Xerox Printer Lease Payable

In 2021, entered into 4; 72-month finance lease agreements, with Xerox Financial Services, interest rate 6.75%, principal balance of $416,724. Lease payments are due monthly.

The following is an analysis of the leased assets included in property and equipment:

Equipment under capital leases	$ 489,952
Less: accumulated depreciation	(92,556)
Equipment under capital leases, net	$ 397,396

Note 8: Long-Term Liabilities, (Continued)

Future minimum lease payments under the finance leases as of December 31, 2022 for each of the next five years are as follows:

Year Ending December 31,	Amount
2023	$ 63,965
2024	88,905
2025	91,501
2026	91,261
2027	86,471
Thereafter	15,808
	437,911
Less: Amount representing interest	34,089
Present value of minimum lease payments	403,822
Current portion	74,504
Long-term portion	$ 329,318

<u>Other Long-Term Liabilities</u>

<u>Compensated Absences</u>

Compensated absences are comprised of unused vacation accruals employees accumulate each bi-weekly pay period. LBW's liability for compensated absences is determined annually. Current portions are determined based on 80 hours of usage with the balance recorded as long-term.

Note 9: Donated Services

Donated Services is made up of three categories Volunteer Professional Services, USPS Free Matter Shipping, and Donated Ministry Production Centers Occupancy. LBW depends on volunteers to continue the mission of the organization. Volunteers are required to undergo training in operating equipment before volunteering for LBW. Management has determined the volunteer labor meets the requirements for report it as in-kind donations. LBW has approximately 3,002 volunteers that donate 8 hours a week for 30 weeks per year with an estimated fair value of $25.43 per hour. USPS Free Matter Shipping is for the Blind or Other Physically Handicapped Persons (Free Matter) is a legally mandated program that allows eligible participants to receive and send mail for free. Mail that qualifies as Free Matter includes large-type (14-point or larger) documents, braille, audio recordings, and talking book players. LBW shipped 142,133 parcels using Free Matter Shipping at an estimated rate of $22.80 per parcel. Donated Occupancy by Ministry Production Centers represents the facility and utility usage to perform the production, assembling and shipping of LBW material. The estimated value of donated occupancy for each center is $24,768 per year and LBW operates 68 Braille Centers and 33 Large Print Centers throughout the United State. Although no amounts have been reflected in the financial statement, management estimates the fair value of those services, equipment, and facilities to be approximately $25,520,590 for the year ended December 31, 2022.

In-kind Donation Type	Amount
Volunteer Professional Service	$ 19,778,390
USPS Free Matter Shipping	3,240,632
Ministry Center Donated Occupancy	2,501,568
Total	$ 25,520,590

Note 10: Net Assets with Donor Restrictions

LBW follows the Codification on Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006 and adopted by California effective January 1, 2010. LBW includes all quasi-endowment funds with donor restrictions in its endowments. The management of LBW has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, LBW classifies as net assets with donor restrictions (a) the original value of cash gifts donated to permanent endowment; (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges; and (c) the fair value of non-cash gifts received, whereby, the proceeds of any future sale are donor-restricted to permanent endowment.

Note 10: Net Assets with Donor Restrictions, (Continued)

The remaining portion of donor-restricted endowment funds include net assets subject to temporary restrictions and are included in net assets with donor restrictions until those amounts are appropriated for expenditure by LBW in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, LBW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The purpose of LBW and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

LBW invests all endowment funds in pooled funds managed by either LCMS Foundation, Texas Foundation or Thrivent Investment Bank according to the objectives and guidelines of LBW's Investment Policy. The Investment Committee is specifically charged with conducting regular reviews of the performance and mix of the investments that make up the fund portfolio.

Net assets include donor restricted funds, which are only available for program activities, or general support designated for future years. Net assets were released from restrictions during the year ended December 31, 2022, as shown on the consolidated statement of activities, due to the purpose of the restriction being accomplished or the time of restriction elapsing.

Net assets with donor restrictions classifications at December 31, 2022 was as follows:

Net Assets With Donor Restrictions	
Purpose Restrictions:	
Work Centers	$ 6,234
Development	17,904
Board of Directors' project	3,066
Literature	29,895
Total Purpose Restrictions	57,099
Permanent Restrictions:	
Endowments	1,281,859
Total Permanent Restrictions	1,281,859
Total Net Assets with Donor Restrictions	$ 1,338,958

Note 10: Net Assets with Donor Restrictions, (Continued)

Endowment fund activity for the year ended December 31, 2022 consists of the following:

	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	$ 274,949	$ 1,471,783	$ 1,746,732
Investment gain (loss)	34,044	-	34,044
Distribution of gains	(8,860)	-	(8,860)
Additions	4,917	68,637	73,554
Change in interest in trusts	(109,346)	(258,561)	(367,907)
Investment fees	(5,156)	-	(5,156)
Endowment Net Assets, End of Year	$ 190,548	$ 1,281,859	$ 1,472,407

Note 11: Liquidity and Availability of Resources

LBW had $1,511,359 of financial assets available within one year of the statement of financial position date for general expenditure consisting of the following:

Cash and cash equivalents	$ 490,093
Accounts receivable	1,007,789
Employee advances	13,477
Total	$ 1,511,359

None of the financial assets above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivable and due from related parties are subject to time restrictions but are expected to be collected within one year. LBW has a policy to structure their financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, LBW invest cash in excess of daily requirements in various investments, which it could draw upon in the event of an unanticipated liquidity need.