

**LUTHERAN ASSOCIATION OF  
MISSIONARIES AND PILOTS U.S., INC.  
D/B/A LUTHERAN INDIAN MINISTRIES  
Brookfield, Wisconsin**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended January 31, 2011

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Lutheran Association of Missionaries and Pilots U.S., Inc.  
d/b/a Lutheran Indian Ministries  
Brookfield, Wisconsin

We have audited the accompanying consolidated statements of financial position of Lutheran Association of Missionaries and Pilots, U.S., Inc. d/b/a Lutheran Indian Ministries (L-US) as of January 31, 2011 and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of L-US's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from L-US's 2010 financial statements, and in our report dated March 18, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lutheran Association of Missionaries and Pilots U.S., Inc. d/b/a Lutheran Indian Ministries as of January 31, 2011 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

March 17, 2011  
Milwaukee, Wisconsin

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Consolidated Statements of Financial Position**  
 January 31, 2011

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Current Assets:</b>		
Cash	\$ 504,854	\$ 493,015
Accounts receivable	2,008	23,603
Promises to give net - current	83,240	170,340
Due from Organizations	63	519
Prepaid expenses	44,993	74,193
Deposits	3,275	3,275
<b>Total current assets</b>	638,433	764,945
<b>Property and Equipment:</b>		
Cost	864,567	1,207,620
Less - Accumulated depreciation	(592,356)	(790,666)
<b>Net property and equipment</b>	272,211	416,954
<b>Other Assets:</b>		
Promises to give - net	50,188	115,106
<b>Total assets</b>	\$ 960,832	\$ 1,297,005
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 11,831	\$ 27,208
Accrued payroll	3,145	2,691
Accrued and withheld payroll taxes	6,383	4,949
Notes payable	60,600	60,600
Current portion of mortgage payable	2,031	1,376
<b>Total current liabilities</b>	83,990	96,824
<b>Other Liabilities:</b>		
Long-term portion of mortgage payable	70,658	72,966
<b>Total liabilities</b>	154,648	169,790
<b>Net Assets:</b>		
Unrestricted	583,480	672,238
Temporarily restricted	222,704	454,977
<b>Total net assets</b>	806,184	1,127,215
<b>Total liabilities and net assets</b>	\$ 960,832	\$ 1,297,005

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

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Consolidated Statements of Activities**

Year Ended January 31, 2011

With Summarized Information for the Year Ended January 31, 2010

	<b>Unrestricted Net Assets</b>	<b>Temporarily Restricted Net Assets</b>	<b>2011 Total</b>	<b>(Memorandum Only) 2010 Total</b>
<b>Support, Revenue and Other Income:</b>				
<b>Gifts:</b>				
Donations	\$ 1,273,650	\$ 510,517	\$ 1,784,167	\$ 2,431,225
<b>Other Income:</b>				
Interest	6,806	-	6,806	1,424
Gain on sale of fixed asset	97,502	-	97,502	-
In-kind contributions	400	-	400	600
<b>Total other income</b>	104,708	-	104,708	2,024
<b>Net Assets Released From Restrictions:</b>				
Satisfaction of program restrictions	742,790	(742,790)	-	-
<b>Total support, revenue and other income</b>	2,121,148	(232,273)	1,888,875	2,433,249
<b>Expenses and Other Losses:</b>				
Contributions remitted to My People International, Inc.	54,000	-	54,000	58,038
U.S. programs	75,349	-	75,349	105,640
Salaries and benefits	988,686	-	988,686	885,060
Transportation	186,098	-	186,098	181,496
Communication	534,434	-	534,434	454,337
Administration	255,768	-	255,768	260,508
Depreciation	59,471	-	59,471	76,534
Bad debt expense	55,700	-	55,700	44,155
In-kind expenses	400	-	400	600
<b>Total expenses</b>	2,209,906	-	2,209,906	2,066,368
<b>Change in net assets</b>	(88,758)	(232,273)	(321,031)	366,881
<b>Net Assets, Beginning of Year</b>	672,238	454,977	1,127,215	760,334
<b>Net Assets, End of Year</b>	\$ 583,480	\$ 222,704	\$ 806,184	\$ 1,127,215

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

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHREAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Consolidated Statements of Cash Flows**  
 Year Ended January 31, 2011

	Years Ended January 31,	
	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (321,031)	\$ 366,881
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 59,471	76,534
Realized gain on sale of property, plant and equipment	(97,502)	-
Changes in Assets and Liabilities:		
Accounts receivable	21,595	(2,656)
Due from Organizations	456	2,510
Prepaid expenses	29,200	(8,103)
Promises to give	152,018	134,611
Deposits	-	1,000
Accounts payable	(15,377)	2,107
Accrued payroll	454	(1,581)
Accrued and withheld payroll taxes	1,434	(1,869)
Total adjustments	151,749	202,553
<b>Net cash provided (used) by operations</b>	<b>(169,282)</b>	<b>569,434</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant and equipment	(10,226)	(108,605)
Proceeds from sale of property, plant and equipment	193,000	-
<b>Net cash provided (used) by investing activities</b>	<b>182,774</b>	<b>(108,605)</b>
<b>Cash Flows from Financing Activities:</b>		
Draws on line of credit	-	75,000
Payments on line of credit	-	(195,000)
Proceeds on mortgage payable	-	75,000
Payments on mortgage payable	(1,653)	(658)
Forgiveness/payments on note payable	-	(5,000)
<b>Net cash used by financing activities</b>	<b>(1,653)</b>	<b>(50,658)</b>
<b>Net increase in cash</b>	<b>11,839</b>	<b>410,171</b>
<b>Cash, Beginning of year</b>	<b>493,015</b>	<b>82,844</b>
<b>Cash, End of year</b>	<b>\$ 504,854</b>	<b>\$ 493,015</b>
<b>Supplementary Information:</b>		
Cash paid for interest	\$ 5,250	\$ 3,206

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

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.  
D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

**1. Summary of Significant Accounting Policies**

**Nature of Operations**

The Lutheran Association of Missionaries and Pilots U.S., Inc. d/b/a Lutheran Indian Ministries (L-US) shares Christ's Kingdom with Native North American Peoples for ministry to their own and to others. The Association's objective is to provide leadership training opportunities to nurture, strengthen and empower Native American people for service in the church and throughout the world by reaching American Indian, Native Alaskan and First Nations people with the Gospel of Jesus Christ.

L-US is a cross-cultural ministry primarily among Native American peoples, yet it also reaches out multi-culturally to all people of the community, particularly in the remote areas that it serves. With headquarters in Brookfield, Wisconsin, its ministry stretches from Arizona to Minnesota and from Oklahoma to Alaska, with 25 ministry locations in the United States and Canada. The ministry of L-US is funded entirely by charitable contributions from individuals, churches, church groups, corporations and foundations.

L-US is often the only consistent Christian presence in the more than 120 Native American communities it serves. This is particularly significant when one considers the fact that the 2000 census reported 2.5 million American Indians and Alaska Natives in the United States, plus another 1.6 million people who claimed American Indian or Alaska Native heritage in addition to one or more other races. By one estimate, only about five percent of Native Americans are Christian. Social problems include alcohol and substance abuse, high rates of suicide, domestic abuse, unemployment and generations of poverty.

The future for ministry with Native Alaskan, American Indian and First Nations people is bright, with increasing needs being a reflection of the opportunities before us.

**Accrual Basis**

The financial statements of L-US have been prepared on the accrual basis.

**Basis of Presentation**

L-US has implemented the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth by generally accepted accounting principles in the United States of America. Accordingly, the net assets of L-US are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

L-US has continued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Consolidated Financial Statements**

The financial statements include the accounts of L-US and the wholly owned Haskell LIGHT, Inc. Each Organization is accounted for by using a separate set of self-balancing accounts. Transactions occur between these Organizations such as donations, charges for internal administrative charges, which result in a corresponding due to/from account. For the purpose of not overstating consolidated balances in the financial statements, these transactions and balances have been eliminated in the preparation of the consolidated financial statements. The amount eliminated for donations amounted to \$0 and \$125,000, the administrative charge amounted to \$57,600 and \$57,600 and the amount eliminated for the due to/from amounted to \$22,572 and \$68,509 for the years ended January 31, 2011 and 2010, respectively.

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

**Income Taxes**

L-US is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. L-US is not considered a private foundation by the Internal Revenue Service. Haskell LIGHT, Inc. is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Haskell LIGHT, Inc. is not considered a private foundation by the Internal Revenue Service. L-US and Haskell LIGHT, Inc. do not consider any of its support and revenues to be unrelated business income and, accordingly, no provision for income taxes has been provided in the accompanying financial statements.

L-US and Haskell LIGHT, Inc. have implemented accounting for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosures required. Management of L-US and Haskell LIGHT, Inc. evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. L-US and Haskell LIGHT, Inc. recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

In management's opinion, L-US and Haskell LIGHT, Inc. have not taken any uncertain tax positions and, accordingly, have not reported a corresponding liability in L-US and Haskell LIGHT, Inc.'s financial statements.

L-US and Haskell LIGHT, Inc. are no longer subject to U.S. federal income tax examinations for years ending through January 31, 2008. L-US and Haskell LIGHT, Inc. are no longer subject to Wisconsin income tax examinations for years ending through January 31, 2007.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Cash and Equivalents**

For purposes of the statements of cash flows, L-US considers checking, savings and money market accounts, and all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment are recorded at cost or fair market value at time of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. It is the policy of L-US to capitalize property and equipment costing over \$500. Estimated useful lives are as follows:

Office Equipment	3-10 years
Automobiles	5 years
Building and Building Improvements	15-40 years
Aircraft	10 years
Boat	5-15 years

**Estimates**

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

**In-Kind Contributions**

Contributions of non-cash services are stated at their fair market value in the period received. L-US has recorded \$400 and \$600 in in-kind contributions for the years ended January 31, 2011 and 2010, respectively. The in-kind contributions of \$400 and \$600 were expensed for supplies for the years ended January 31, 2011 and 2010, respectively.

**Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with L-US's financial statements for the year ended January 31, 2010 from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure through March 17, 2011. Besides the following paragraph; there are no subsequent events that required recognition or disclosure.

Effective February 1, 2011, Haskell LIGHT, Inc. converted to a limited liability company (LLC) organized under the law of the State of Kansas pursuant to the terms of a Plan and Agreement of Conversion. The resulting LLC is called Haskell LIGHT, LLC and is governed by an Operating Agreement that is similar to the preceding agreement between L-US and Haskell LIGHT, Inc. L-US is the sole member of Haskell LIGHT, LLC.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

(Continued)

**2. Haskell LIGHT, Inc.**

Haskell LIGHT, Inc. is a Kansas nonprofit corporation. LIGHT is an acronym for "Lutheran Indians Gathering and Helping Together." Haskell LIGHT, Inc. is equipping and empowering this generation to bring hope, light and truth to the Nations.

The purposes of Haskell LIGHT, Inc. are:

- To provide a ministry of sharing the Gospel of Jesus Christ among the students, faculty, and staff of Haskell Indian Nations University in Lawrence, Kansas.
- To develop leadership in sharing the gospel with other Native Americans as the opportunities arise, including sensitizing non-Indian people to Native American concerns and needs in a Christian context under the authority of the Holy Scriptures and the Lutheran Confessions with respect to the polity and practices of the Lutheran Church.
- To operate exclusively for charitable, religious and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, for the benefit of, to perform the functions of, or to carry out the purposes of the Lutheran Association of Missionaries and Pilots U.S. Inc.
- To undertake any and all other activities for which a nonprofit corporation may be organized in the state of Kansas in furtherance of the foregoing purposes.

**3. Concentration of Risk**

L-US maintains its cash balances in two financial institutions and one at Lutheran Church Extension Fund (LCEF). L-US's combined deposits at each of the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, L-US's deposits exceed the insured limits. The amount of cash and cash equivalents held at LCEF are not insured by the FDIC. The amount of cash and cash equivalents L-US maintained at LCEF as of January 31, 2011 amounted to \$468,218.

**4. Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded 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 risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Based on the nature of the donors at year end, we did not set up an allowance for uncollectible pledges.

Unconditional promises to give consisted of the following as of January 31:

	<u>2011</u>	<u>2010</u>
Unconditional promises to give before unamortized discount	\$ 136,470	\$ 295,160
Less: Unamortized discount (Discount rate 4.00%)	<u>(3,042)</u>	<u>(9,714)</u>
Net unconditional promises to give	<u>\$ 133,428</u>	<u>\$ 285,446</u>
Amounts due in:		
Less than one year	\$ 83,240	\$ 170,340
One to five years	<u>50,188</u>	<u>115,106</u>
Total	<u>\$ 133,428</u>	<u>\$ 285,446</u>

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.  
D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

(Continued)

**5. Property and Equipment**

Property and equipment consist of the following at January 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 21,010	\$ 21,010
Buildings	106,890	106,890
Building Improvements	10,822	10,822
Auto	11,056	11,056
M/V Christian Boat	617,294	609,298
Office Equipment	97,495	95,264
Aircraft	---	353,280
	864,567	1,207,620
Less: Accumulated depreciation	(592,356)	(790,666)
Total	\$ 272,211	\$ 416,954

Depreciation expense for the years ended January 31, 2011 and 2010 was \$59,471 and \$76,534, respectively.

**6. Line of Credit**

L-US also has a line of credit of \$250,000 with interest at the bank's prime rate, secured by a general security agreement. The balance on the line of credit as of January 31, 2011 and 2010 amounted to \$0 and bears an interest rate of prime with a 4.00% floor, the interest rate as of January 31, 2011 and 2010 was 4.00%. Interest expense for the years ended January 31, 2011 amounted to \$0 and \$964, respectively.

**7. Notes Payable**

Notes payable consisted of the following as of January 31:

	<u>2011</u>	<u>2010</u>
Notes payable from donors, interest free, various due dates or due Within 30 days of donor's request	\$ 60,600	\$ 60,600

**8. Mortgage Payable**

During the year ended January 31, 2010, L-US entered into a mortgage payable for the purchase of a building. This note matures in July 2014 and requires monthly payments of principle and interest of \$483. The note bears an interest rate of the borrower's cost of funds plus 2.00%, and is updated annually. The interest rate as of January 31, 2011 and 2010 was 5.25% and 6.00%, respectively. The balance on the mortgage as of January 31, 2011 and 2010, amounted to \$ 72,689 and \$74,342, respectively. The mortgage is secured by the property.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Notes to Financial Statements**  
 January 31, 2011  
 (Continued)

**8. Mortgage Payable (Continued)**

Future principal payments consist of the following:

<u>January 31,</u>		
2012	\$	2,031
2013		2,140
2014		2,255
2015		<u>66,263</u>
Total	\$	<u>72,689</u>

Interest expense for the years ended January 31, 2011 and 2010 was \$4,145 and \$2,242, respectively.

**9. Leases**

L-US has two operating leases for office equipment. The leases require monthly payments of \$66 and \$178 until March, 2016 and July, 2011, respectively. Rent expense for the years ending January 31, 2011 and 2010 was \$6,328 and \$7,008, respectively.

Future minimum rental payments for office equipment are as follows:

<u>January 31,</u>		
2012	\$	1,860
2013		792
2014		792
2015		792
2016		792
2017		<u>132</u>
Total	\$	<u>5,160</u>

L-US was the lessor of office space in the building in Brookfield, Wisconsin until the building was sold on September 27, 1996. Subsequent to the sale of the building, the Association became the lessee of a portion of the building. On October 1, 2006, the Association entered into a new lease for the use of a portion of the building for ten years with an option for another five years. Monthly payments gradually increase throughout the term of the lease.

Future minimum rental payments for office space are as follows:

<u>January 31,</u>		
2012	\$	37,913
2013		38,675
2014		39,460
2015		40,246
2016		41,043
2017		<u>27,727</u>
Total	\$	<u>225,064</u>

Rent expense for the years ended January 31, 2011 and 2010 amounted to \$37,188 and \$36,450, respectively.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.  
D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

(Continued)

**10. Retirement Plan**

Eligible clergy and staff may participate in the defined-contribution pension plans available. L-US's contributions for the years ended January 31, 2011 and 2010 amounted to \$63,949 and \$56,931, respectively.

**11. 403(b) Plan**

L-US maintains a tax-deferred annuity retirement plan for eligible employees. Beginning in April 1996, the L-US discontinued making contributions to the plan. In 2009, new regulations of 403(b) plans became effective. The new regulations made it administratively impractical to continue offering a 403(b) plan with multiple vendors. Therefore, L-US limits eligible employees to participation with voluntary 403(b) contributions being made to the church plan in which the employees receive their comprehensive benefits coverage.

**12. Net Operating Loss Carryforward**

L-US has generated unrelated business losses from the rental of the building. These losses can be carried forward 15 years to offset future unrelated business income for federal and state income tax purposes. As of January 31, 2011 L-US has a loss carryforward of \$28,944 which expires as of January 31, 2012.

**13. Commitments and Contingencies**

L-US entered into a contract for services. This contract is for fund-raising consulting services commencing January 1, 2010 and will continue on through December 31, 2012, unless extended or terminated. L-US agrees to pay a retainer fee payable in advance on the first day of each month, \$7,500 per month through December 31, 2010 and \$7,750 through the remainder of the agreement, plus charges for direct mailing services as invoiced.

L-US also has a contract for services of a telemarketing campaign. This contract expires on October 31, 2011 and has various levels of fees based on the services it will provide.

**14. My People International, Inc.**

During the year ended January 31, 2011, L-US continued a relationship with My People International, Inc., located in Alberta, Canada. L-US has funded the incorporation and operations of My People International, Inc. since its inception.

L-US funded \$54,000 and \$58,038 of expenses on behalf of My People International, Inc. for the years ended January 31, 2011 and 2010, respectively. These amounts will not be paid back.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Notes to Financial Statements**

January 31, 2011

(Continued)

**15. Temporarily Restricted Net Assets**

The temporarily restricted net asset balances consisted of the following at January 31:

	<u>2011</u>	<u>2010</u>
Neah Bay Morningstar Girl's Club (Purpose)	\$ 303	\$ 21,795
Fairbanks Transition (Purpose)	---	38,833
Charitable Gift Initiative (Purpose)	44,886	81,705
Port Angeles (Purpose)	8,368	18,700
Bemidji Ministry (Purpose)	35,719	---
Pledges (Time)	133,428	293,944
	<hr/>	<hr/>
Total	\$ <u>222,704</u>	\$ <u>454,977</u>

**16. Major Donor**

During the year ended January 31, 2010, L-US received \$291,529 or approximately 12% from one donor. L-US did not have this concentration in the current year.

**17. Reclassifications**

Certain accounts in the prior-year financial statements have been classified for comparative purposes to conform to the presentation in the current-year financial statements.

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Lutheran Association of Missionaries and Pilots U.S., Inc.  
d/b/a Lutheran Indian Ministries  
Brookfield, Wisconsin

Our report on our audits of the basic financial statements of Lutheran Association of Missionaries and Pilots U.S., Inc. d/b/a Lutheran Indian Ministries for 2011 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 17, 2011  
Milwaukee, Wisconsin

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**

**D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Combining Statement of Financial Position**

January 31, 2011

<b>ASSETS</b>	<b>Lutheran Association of Missionaries &amp; Pilots U.S., Inc.</b>	<b>Haskell LIGHT, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Assets:</b>				
Cash	\$ 500,570	\$ 4,284	\$ -	\$ 504,854
Accounts receivable	2,008	-	-	2,008
Promises to give - current	39,540	43,700	-	83,240
Due from Organizations	22,635	-	(22,572)	63
Prepaid expenses	42,815	2,178	-	44,993
Deposits	3,275	-	-	3,275
<b>Total current assets</b>	<b>610,843</b>	<b>50,162</b>	<b>(22,572)</b>	<b>638,433</b>
<b>Property and Equipment:</b>				
Cost	825,845	38,722	-	864,567
Less - Accumulated depreciation	(567,688)	(24,668)	-	(592,356)
<b>Net property and equipment</b>	<b>258,157</b>	<b>14,054</b>	<b>-</b>	<b>272,211</b>
<b>Other Assets:</b>				
Promises to give - long term	44,389	5,799	-	50,188
<b>Total assets</b>	<b>\$ 913,389</b>	<b>\$ 70,015</b>	<b>\$ (22,572)</b>	<b>\$ 960,832</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 11,831	\$ -	\$ -	\$ 11,831
Accrued payroll	3,145	-	-	3,145
Due to Organizations	-	22,572	(22,572)	-
Accrued and withheld payroll taxes	6,383	-	-	6,383
Notes payable	60,600	-	-	60,600
Current portion of mortgage payable	2,031	-	-	2,031
<b>Total current liabilities</b>	<b>83,990</b>	<b>22,572</b>	<b>(22,572)</b>	<b>83,990</b>
<b>Other Liabilities:</b>				
Long-term portion of mortgage payable	70,658	-	-	70,658
<b>Total liabilities</b>	<b>154,648</b>	<b>22,572</b>	<b>(22,572)</b>	<b>154,648</b>
<b>Net Assets:</b>				
Unrestricted	585,536	(2,056)	-	583,480
Temporarily restricted	173,205	49,499	-	222,704
<b>Total net assets</b>	<b>758,741</b>	<b>47,443</b>	<b>-</b>	<b>806,184</b>
<b>Total liabilities and net assets</b>	<b>\$ 913,389</b>	<b>\$ 70,015</b>	<b>\$ (22,572)</b>	<b>\$ 960,832</b>

See Independent Auditor's Report on Supplementary Information.

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.  
D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

**Combining Statement of Financial Position**

January 31, 2010

<b>ASSETS</b>	<b>Lutheran Association of Missionaries &amp; Pilots U.S., Inc.</b>	<b>Haskell LIGHT, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Assets:</b>				
Cash	\$ 478,924	\$ 14,091	\$ -	\$ 493,015
Accounts receivable	23,603	-	-	23,603
Promises to give - current	167,540	2,800	-	170,340
Due from Organizations	69,028	-	(68,509)	519
Prepaid expenses	72,194	1,999	-	74,193
Deposits	3,275	-	-	3,275
<b>Total current assets</b>	<b>814,564</b>	<b>18,890</b>	<b>(68,509)</b>	<b>764,945</b>
<b>Property and Equipment:</b>				
Cost	1,168,898	38,722	-	1,207,620
Less - Accumulated depreciation	(766,861)	(23,805)	-	(790,666)
<b>Net property and equipment</b>	<b>402,037</b>	<b>14,917</b>	<b>-</b>	<b>416,954</b>
<b>Other Assets:</b>				
Promises to give - long term	106,746	8,360	-	115,106
<b>Total assets</b>	<b>\$ 1,323,347</b>	<b>\$ 42,167</b>	<b>\$ (68,509)</b>	<b>\$ 1,297,005</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 27,208	\$ -	\$ -	\$ 27,208
Accrued payroll	2,691	-	-	2,691
Due to Organizations	-	68,509	(68,509)	-
Accrued and withheld payroll taxes	4,949	-	-	4,949
Notes payable	60,600	-	-	60,600
Current portion of mortgage payable	1,376	-	-	1,376
<b>Total liabilities</b>	<b>96,824</b>	<b>68,509</b>	<b>(68,509)</b>	<b>96,824</b>
<b>Other Liabilities:</b>				
Long-term portion of mortgage payable	72,966	-	-	72,966
<b>Total liabilities</b>	<b>169,790</b>	<b>68,509</b>	<b>(68,509)</b>	<b>169,790</b>
<b>Net Assets:</b>				
Unrestricted	709,740	(37,502)	-	672,238
Temporarily restricted	443,817	11,160	-	454,977
<b>Total net assets</b>	<b>1,153,557</b>	<b>(26,342)</b>	<b>-</b>	<b>1,127,215</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,323,347</b>	<b>\$ 42,167</b>	<b>\$ (68,509)</b>	<b>\$ 1,297,005</b>

See Independent Auditor's Report on Supplementary Information.

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Combining Statement of Activities**  
**Unrestricted Net Assets**  
 Year Ended January 31, 2011

	<u>Lutheran Association of Missionaries &amp; Pilots U.S., Inc.</u>	<u>Haskell LIGHT, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Support, Revenue and Other Income:</b>				
<b>Gifts:</b>				
Donations - U.S.	\$ 1,032,190	\$ 241,460	\$ -	\$ 1,273,650
<b>Other Income:</b>				
Interest	6,538	268	-	6,806
Gain on sale of fixed asset	97,502	-	-	97,502
Administrative income	57,600	-	(57,600)	-
In-kind contributions	-	400	-	400
<b>Total other income</b>	<b>161,640</b>	<b>668</b>	<b>(57,600)</b>	<b>104,708</b>
<b>Net Assets Released From Restrictions:</b>				
Satisfaction of program restrictions	740,770	2,020	-	742,790
<b>Total support, revenue and other income</b>	<b>1,934,600</b>	<b>244,148</b>	<b>(57,600)</b>	<b>2,121,148</b>
<b>Expenses and Other Losses:</b>				
Contributions remitted to My People International, Inc.	54,000	-	-	54,000
U.S. programs	68,974	6,375	-	75,349
Salaries and benefits	867,755	120,931	-	988,686
Transportation	179,392	6,706	-	186,098
Communication	529,940	4,494	-	534,434
Administration	244,435	68,933	(57,600)	255,768
Depreciation	58,608	863	-	59,471
Bad debt expense	55,700	-	-	55,700
In-kind expenses	-	400	-	400
<b>Total expenses</b>	<b>2,058,804</b>	<b>208,702</b>	<b>(57,600)</b>	<b>2,209,906</b>
<b>Change in net assets</b>	<b>(124,204)</b>	<b>35,446</b>	<b>-</b>	<b>(88,758)</b>
<b>Net Assets, Beginning of Year</b>	<b>709,740</b>	<b>(37,502)</b>	<b>-</b>	<b>672,238</b>
<b>Net Assets, End of Year</b>	<b>\$ 585,536</b>	<b>\$ (2,056)</b>	<b>\$ -</b>	<b>\$ 583,480</b>

See Independent Auditor's Report on Supplementary Information.

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Combining Statement of Activities**  
**Temporarily Restricted Net Assets**  
 Year Ended January 31, 2011

	<b>Lutheran Association of Missionaries &amp; Pilots U.S., Inc.</b>		<b>Haskell LIGHT, Inc.</b>		<b>Eliminations</b>		<b>Total</b>
<b>Support, Revenue and Other Income:</b>							
<b>Gifts:</b>							
Donations - U.S.	\$	470,158	\$	40,359	\$	-	\$ 510,517
<b>Net Assets Released From Restrictions:</b>							
Satisfaction of program restrictions		(740,770)		(2,020)		-	(742,790)
<b>Total support, revenue and other income</b>		(270,612)		38,339		-	(232,273)
 <b>Change in net assets</b>		(270,612)		38,339		-	(232,273)
 <b>Net Assets, Beginning of Year</b>		443,817		11,160		-	454,977
 <b>Net Assets, End of Year</b>	\$	173,205	\$	49,499	\$	-	\$ 222,704

See Independent Auditor's Report on Supplementary Information.

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Combining Statement of Activities**  
**Unrestricted Net Assets**  
 Year Ended January 31, 2010

	<u>Lutheran Association of Missionaries &amp; Pilots U.S., Inc.</u>	<u>Haskell LIGHT, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Support, Revenue and Other Income:</b>				
<b>Gifts:</b>				
Donations - U.S.	\$ 2,019,876	\$ 224,066	\$ (125,000)	\$ 2,118,942
<b>Other Income:</b>				
Interest	898	526	-	1,424
Administrative income	57,600	-	(57,600)	-
In-kind contributions	600	-	-	600
<b>Total other income</b>	<b>59,098</b>	<b>526</b>	<b>(57,600)</b>	<b>2,024</b>
<b>Net Assets Released From Restrictions:</b>				
Satisfaction of program restrictions	292,696	1,600	-	294,296
<b>Total support, revenue and other income</b>	<b>2,371,670</b>	<b>226,192</b>	<b>(182,600)</b>	<b>2,415,262</b>
<b>Expenses and Other Losses:</b>				
Contributions remitted to My People International, Inc.	58,038	-	-	58,038
Contributions remitted to Haskell LIGHT, Inc.	125,000	-	(125,000)	-
U.S. programs	100,628	5,012	-	105,640
Salaries and benefits	771,722	113,338	-	885,060
Transportation	177,737	3,759	-	181,496
Communication	449,741	4,596	-	454,337
Administration	247,614	70,494	(57,600)	260,508
Depreciation	75,671	863	-	76,534
Bad debt expense	44,155	-	-	44,155
In-kind expenses	600	-	-	600
<b>Total expenses</b>	<b>2,050,906</b>	<b>198,062</b>	<b>(182,600)</b>	<b>2,066,368</b>
<b>Change in net assets</b>	<b>320,764</b>	<b>28,130</b>	<b>-</b>	<b>348,894</b>
<b>Net Assets, Beginning of Year</b>	<b>388,976</b>	<b>(65,632)</b>	<b>-</b>	<b>323,344</b>
<b>Net Assets, End of Year</b>	<b>\$ 709,740</b>	<b>\$ (37,502)</b>	<b>\$ -</b>	<b>\$ 672,238</b>

See Independent Auditor's Report on Supplementary Information.

**LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.**  
**D/B/A LUTHERAN INDIAN MINISTRIES**  
 Brookfield, Wisconsin

**Combining Statement of Activities**  
**Temporarily Restricted Net Assets**  
 Year Ended January 31, 2010

	<u>Lutheran Association of Missionaries &amp; Pilots U.S., Inc.</u>	<u>Haskell LIGHT, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Support, Revenue and Other Income:</b>				
<b>Gifts:</b>				
Donations - U.S.	\$ 299,523	\$ 12,760	\$ -	\$ 312,283
<b>Total gifts</b>	<u>299,523</u>	<u>12,760</u>	<u>-</u>	<u>312,283</u>
<b>Net Assets Released From Restrictions:</b>				
Satisfaction of program restrictions	(292,696)	(1,600)	-	(294,296)
<b>Total support, revenue and other income</b>	<u>6,827</u>	<u>11,160</u>	<u>-</u>	<u>17,987</u>
<b>Change in net assets</b>	6,827	11,160	-	17,987
<b>Net Assets, Beginning of Year</b>	<u>436,990</u>	<u>-</u>	<u>-</u>	<u>436,990</u>
<b>Net Assets, End of Year</b>	<u>\$ 443,817</u>	<u>\$ 11,160</u>	<u>\$ -</u>	<u>\$ 454,977</u>

See Independent Auditor's Report on Supplementary Information.