LANGHAM PARTNERSHIP USA, INC., NFP

FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 AND 2012

TOGETHER WITH AUDITOR'S REPORT

Dugan & Lopatka

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Langham Partnership USA, Inc., NFP:

We have audited the accompanying financial statements of Langham Partnership USA, Inc., NFP (LPUSA) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

To the Board of Directors of
Langham Partnership USA, Inc., NFP
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Langham Partnership USA, Inc., NFP as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dugan & Lopatka
DUGAN & LOPATKA

Wheaton, Illinois
October 2, 2013

EXHIBIT 1

LANGHAM PARTNERSHIP USA, INC., NFP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	$ 540,695	$ 543,576
- Restricted	118,023	112,313
Accounts receivable	11,771	-
Promises to give - Unrestricted	-	65,760
- Restricted	118,424	137,977
Prepaid expenses	3,730	56,350
Investments - Unrestricted	1,813,765	1,873,203
Total current assets	2,606,408	2,789,179
PROPERTY AND EQUIPMENT:		
Building and improvements	750,000	750,000
Less - Accumulated depreciation	243,750	225,000
Net property and equipment	506,250	525,000
OTHER ASSETS:		
Promises to give - Restricted, net of current portion	86,848	205,272
	$ 3,199,506	$ 3,519,451
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 19,133	$ 21,200
NET ASSETS:		
Unrestricted - Operating	2,350,828	2,521,689
- Equity in building	506,250	525,000
Total unrestricted	2,857,078	3,046,689
Temporarily restricted	323,295	451,562
Total net assets	3,180,373	3,498,251
	$ 3,199,506	$ 3,519,451

The accompanying notes are an integral part of this statement.

EXHIBIT 2

LANGHAM PARTNERSHIP USA, INC., NFP
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS:		
Public support and revenue -		
Contributions	$ 1,379,738	$ 880,571
Investment income	180,385	13,804
Other revenue	1,554	10,883
Total unrestricted public support and revenue	1,561,677	905,258
Net assets released from restrictions -		
Satisfaction of program restrictions	873,050	1,110,702
Net unrestricted public support and revenue	2,434,727	2,015,960
FUNCTIONAL EXPENSES:		
Program	1,485,530	1,598,615
Management and general	360,145	423,373
Fundraising	778,663	551,142
Total functional expenses	2,624,338	2,573,130
Change in unrestricted net assets	(189,611)	(557,170)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Public support and revenue -		
Scholars Program	513,654	507,727
Literature Program	96,203	629,223
Francophone Africa Project	50,334	-
Branding Project	-	100,000
Jennifer Cuthertson	2,850	-
Preaching Program	81,742	233,314
Total temporarily restricted public support and revenue	744,783	1,470,264
Net assets released from restrictions -		
Satisfaction of program restrictions	(873,050)	(1,110,702)
Change in temporarily restricted net assets	(128,267)	359,562
CHANGE IN TOTAL NET ASSETS	(317,878)	(197,608)
NET ASSETS, Beginning of year	3,498,251	3,695,859
NET ASSETS, End of year	$ 3,180,373	$ 3,498,251

The accompanying notes are an integral part of this statement.

LANGHAM PARTNERSHIP USA, INC., NFP
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from public support and revenue	$ 2,318,042	$ 2,102,708
Cash paid for programs services, employees and supplies	(2,555,035)	(2,565,372)
Interest and dividends received	39,792	27,893
Net cash (used in) operating activities	(197,201)	(434,771)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales of investments	200,030	259,729
CHANGE IN CASH AND CASH EQUIVALENTS	2,829	(175,042)
CASH AND CASH EQUIVALENTS, Beginning of year	655,889	830,931
CASH AND CASH EQUIVALENTS, End of year	$ 658,718	$ 655,889
RECONCILIATION OF CHANGE IN TOTAL NET ASSETS TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Change in total net assets	$ (317,878)	$ (197,608)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	18,750	18,750
Net realized and unrealized (gain) loss on investments	(140,592)	14,089
(Increase) decrease in promises to give	191,966	(259,009)
(Increase) decrease in prepaid expenses	52,620	(32,193)
Increase (decrease) in accounts payable	(2,067)	21,200
Net cash (used in) operating activities	$ (197,201)	$ (434,771)
NON-CASH TRANSACTIONS:		
Non-cash donation of real estate	$ -	$ -

The accompanying notes are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Langham Partnership USA, Inc., NFP (LPUSA), the U.S. member of the Langham Partnership International (LPI), has been working for over thirty years alongside Christian leaders around the world, especially in the global east and south, to equip them with skills and tools for growing the church with depth and maturity. LPUSA's vision is to see churches in the Majority World equipped for mission and growing to maturity in Christ through the ministry of pastors and leaders who believe, teach and live by the Word of God.

The mission of LPI is to pursue its vision by equipping a new generation of Bible teachers through three integrated programs:

Langham Scholars Program: Provides financial support for evangelical doctoral students from the Majority World so they may train Christian pastors and leaders - usually at seminary or university level - with sound biblical teaching.

Langham Literature Program: Provides evangelical resources in multiple languages through grants and distribution, and fosters the indigenous creation of resources through sponsored editing and writing and publisher development.

Langham Preaching Program: Partners with national leaders to nurture indigenous preaching movements for pastors and lay preachers all around the world. This partnership provides practical on-site support for preachers, organizing training seminars, providing resources, encouraging preachers' groups, and building a local movement committed to Bible exposition.

The financial statements were available to be issued on October 2, 2013, with subsequent events being evaluated through this date.

Accounting Method -

The financial statements of LPUSA have been prepared using the accrual basis of accounting, which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the Accounting Standards Codification. LPUSA is required to report information regarding three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets were currently available for ministry purposes under the direction of the board of directors, those designated by the board for specific uses and those invested in building and improvements. At June 30, 2013 and 2012, unrestricted net assets are $2,857,078 and $3,046,689, respectively.

Temporarily restricted net assets were those contributed with donor stipulations for specific programs, those with time restrictions, and those not currently available for use until commitments regarding their use have been fulfilled. At June 30, 2013 and 2012, temporarily restricted net assets of $323,295 and $451,562, respectively, are restricted for specific program projects and activities.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation - (Continued)

Permanently restricted net assets. At June 30, 2013 and 2012, there were no permanently restricted net assets.

Estimates -

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

Cash and Cash Equivalents -

For the purpose of the statement of cash flows, all highly liquid instruments with an original maturity of three months or less are considered to be cash equivalents.

Concentration of Risk -

Financial instruments that potentially subject LPUSA to credit risk consist primarily of interest-bearing government and corporate bonds and common and preferred stocks. These investments are managed by an independent professional financial manager. The bond holdings are laddered across a number of years; the equity holdings are diversified among a number of different industries.

Investments -

LPUSA invests in various mutual funds, stocks and government and corporate bonds. Investment securities, in general, are exposed to various risks, such as interest risk, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Investments in marketable securities are stated at fair value based on quoted market prices.

Property and Equipment -

Property and equipment are stated at cost. Capital expenditures of $1,000 ($5,000 for computers) or greater and with a useful life of three or more years are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets of 3 to 40 years. Donated fixed assets are recorded at fair market value on the date received. Fixed assets given to scholars to keep beyond their scholarship period are ministry expenses and are not capitalized.

The asset (building and improvements) on the statement of financial position is a house located in London, England. This house is the residence and office of the International Ministries Director. The land on which the house is situated is not owned by LPUSA due to laws in England regarding the ownership of land. The purchase price of the building includes the right to use the land for a period of 86 years.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Restricted Resources -

LPUSA reports gifts of cash and other assets as restricted revenue 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.

LPUSA reports gifts of land, buildings and equipment as unrestricted revenue unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, LPUSA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services -

A substantial number of unpaid volunteers have made significant contributions of their time to LPUSA. These volunteers have a significant impact on making the ministry effective. However, the value of these services is not reflected in the financial statements, because they do not meet the definition of donated services under the Accounting Standards Codification.

Functional Allocation of Expenses -

The costs of providing program and supporting activities (management and general and fundraising) have been summarized in the statement of activities. Certain costs have been allocated among the program and supporting activities based on management estimates. The allocation of functional expenses for 2013 and 2012 are as follows:

	2013	2012
Program	56.6%	62.1%
Management and general	13.7%	16.5%
Fundraising	29.7%	21.4%

Income Taxes -

LPUSA is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and state laws. Accordingly, no provision for income taxes has been established.

LPUSA files income tax returns in the U.S. federal jurisdiction, Illinois, and California. With few exceptions, LPUSA is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2009. LPUSA does not expect a material net change in unrecognized tax benefits in the next twelve months.

(2) PROMISES TO GIVE:

Unconditional promises to give as of June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Receivable in less than one year	$ 118,424	$ 203,737
Receivable in more than one year	86,848	205,272
Total unconditional promises to give	205,272	409,009
Less - Discount to net present value	-	-
Net unconditional promises to give	$ 205,272	$ 409,009

(3) INVESTMENTS:

	2013	2012
Investments consist of the following:		
Mutual funds	$ 682,368	$ 595,256
Common stocks	1,043,897	1,190,447
Real estate	87,500	87,500
	$ 1,813,765	$ 1,873,203
Investment income includes:		
Interest and dividends	$ 39,792	$ 27,893
Net realized and unrealized gains (losses)	140,593	(14,089)
	$ 180,385	$ 13,804

Interest and dividends are net of investment management fees of $14,884 and $18,488 for the years ended June 30, 2013 and 2012, respectively.

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value measurements establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The standard established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transaction in the absence of market inputs.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect LPUSA's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1. Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

(4) FAIR VALUE MEASUREMENTS: (Continued)

Level 2. Observable inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; through corroboration with observable market data, such as quoted market prices for similar markets or quoted market prices that are not active.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2013 and 2012.

Mutual Funds: Valued at the net asset value of shares held at year end.

Government Bonds, Corporate Bonds and Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Real Estate: Valued on the basis of comparable assets.

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 LPUSA 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 June 30, 2013.

Fair values of assets measured on a recurring basis at June 30, 2013 and 2012 are as follow:

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 413,308	$ -	$ -	$ 413,308
Treasury funds	136,573	-	-	136,573
Equity	132,487	-	-	132,487
Common stocks:				
Health Care	119,286	-	-	119,286
Entertainment	36,311	-	-	36,311
Technology	174,196	-	-	174,196
Consumables	94,389	-	-	94,389
Financial services	151,230	-	-	151,230
Industrials	62,449	-	-	62,449
Energy	110,565	-	-	110,565
Manufacturing	28,146	-	-	28,146
Other	267,325	-	-	267,325
Real estate	-	-	87,500	87,500
	$ 1,726,265	$ -	$ 87,500	$ 1,813,765

(4) FAIR VALUE MEASUREMENTS: (Continued)

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 324,331	$ -	$ -	$ 324,331
Treasury funds	109,216	-	-	109,216
Equity	161,709	-	-	161,709
Common stocks:				
Health care	99,642	-	-	99,642
Entertainment	50,925	-	-	50,925
Technology	252,256	-	-	252,256
Consumables	84,142	-	-	84,142
Financial services	154,152	-	-	154,152
Industrials	71,086	-	-	71,086
Energy	90,522	-	-	90,522
Manufacturing	28,146	-	-	28,146
Other	359,576	-	-	359,576
Real estate	-	-	87,500	87,500
	$ 1,785,703	$ -	$ 87,500	$ 1,873,203

The table below sets forth a summary of changes in the fair value of LPUSA's level 3 assets for the years ended June 30, 2013 and 2012:

	Real Estate	
	2013	2012
Balance, beginning of year	$ 87,500	$ 87,500
Realized and unrealized gains	-	-
Purchases, sales, donations, issuances and settlements (net)	-	-
Balance, end of year	$ 87,500	$ 87,500

(5) EMPLOYEE RETIREMENT PLAN:

LPUSA provides a 403(b)(7) retirement plan for eligible employees. LPUSA contributes six percent of full-time employees' compensation to the plan. LPUSA made contributions to the plan of $2,160 and $25,374 in 2013 and 2012, respectively.

(6) LEASE COMMITMENT:

LPUSA rents office space in Milpitas, California under a lease that expires in December, 2013. The lease requires payments of $216 per month.

Minimum lease commitments are as follows:

2014	$ 1,080

Rental expense for the years ended June 30, 2013 and 2012 amounted to $2,866 and $24,760, respectively.

(7) RELATED PARTY TRANSACTIONS:

LPUSA is the U.S. member of the Langham Partnership International. As such, LPUSA grants funds to its partner in the U.K. to carry out portions of the Literature, Scholars and Preaching programs. These grants represented 25% and 29% of LPUSA's total expenses in 2013 and 2012, respectively. The funds were distributed as follows:

	2013	2012
Literature Program	$ 378,707	$ 579,675
Langham Preaching Program	328,895	181,200
Worldwide Ministry Support	(51,300)	(4,236)
	$ 656,302	$ 756,639

(8) CONCENTRATION:

During the year ended June 30, 2012, LPUSA received approximately 26% of its total support and revenue from two donors.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
Langham Partnership USA, Inc., NFP:

We have audited the financial statements of Langham Partnership USA, Inc., NFP as of and for the year ended June 30, 2013, and our report thereon dated DATE, which expressed an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements take as whole.

Dugan & Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
October 2, 2013

LANGHAM PARTNERSHIP USA, INC., NFP
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(with comparative totals for 2012)

	Program	Management and General	Fundraising	2013 Total	2012 Total
Scholarships and program expenses	$ 1,069,283	$ -	$ -	$ 1,069,283	$ 1,189,465
Salaries	270,233	98,760	290,892	659,885	707,790
Benefits	49,273	30,936	49,670	129,879	143,955
Lodging/meals/travel	54,182	28,362	101,023	183,567	151,799
Professional fees	3,999	60,231	1,014	65,244	68,909
Consulting fees	7,200	55,710	28,753	91,663	65,753
Printing and duplication	738	8,004	59,652	68,394	35,806
Technical services	10,731	1,313	56,974	69,018	28,637
Conferences and meetings	28,376	3,261	49,575	81,212	28,276
Rent	-	-	2,866	2,866	27,373
Office supplies and equipment	3,399	9,068	8,525	20,992	23,945
Other expenses	(15,189)	20,612	100	5,523	22,850
Property and directors' insurance	-	11,882	-	11,882	20,955
Depreciation	-	18,750	-	18,750	18,750
Postage	81	2,958	6,139	9,178	11,319
Marketing	-	-	121,373	121,373	9,791
Bank and payroll service charges	104	7,979	-	8,083	9,582
Fax/telephone	3,120	2,319	2,107	7,546	8,175
Total functional expenses	$ 1,485,530	$ 360,145	$ 778,663	$ 2,624,338	$ 2,573,130