

LANGHAM PARTNERSHIP USA, INC., NFP

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2015 AND 2014**

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, 2015 and 2014, 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, 2015 and 2014, 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

Wheaton, Illinois
September 17, 2015

LANGHAM PARTNERSHIP USA, INC., NFP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 1,008,652	\$ 1,292,061
- Restricted	71,475	79,670
Accounts receivable	30,238	23,588
Promises to give - Restricted	93,422	143,424
Prepaid expenses	26,174	5,115
Investments - Unrestricted	<u>1,459,857</u>	<u>1,452,090</u>
Total current assets	<u>2,689,818</u>	<u>2,995,948</u>
PROPERTY AND EQUIPMENT:		
Building and improvements	750,000	750,000
Less - Accumulated depreciation	<u>281,250</u>	<u>262,500</u>
Net property and equipment	<u>468,750</u>	<u>487,500</u>
OTHER ASSETS:		
Promises to give - Restricted, net of current portion	<u>-</u>	<u>43,423</u>
	<u>\$ 3,158,568</u>	<u>\$ 3,526,871</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	<u>\$ 22,965</u>	<u>\$ 197,663</u>
NET ASSETS:		
Unrestricted - Operating	2,501,955	2,575,191
- Equity in building	<u>468,750</u>	<u>487,500</u>
Total unrestricted	2,970,705	3,062,691
Temporarily restricted	<u>164,898</u>	<u>266,517</u>
Total net assets	<u>3,135,603</u>	<u>3,329,208</u>
	<u>\$ 3,158,568</u>	<u>\$ 3,526,871</u>

The accompanying notes are an integral part of this statement.

LANGHAM PARTNERSHIP USA, INC., NFP
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Public support and revenue -		
Contributions	\$ 2,076,868	\$ 1,846,056
Investment income	54,164	191,067
Other revenue	723	13,008
Total unrestricted public support and revenue	<u>2,131,755</u>	<u>2,050,131</u>
Net assets released from restrictions -		
Satisfaction of program restrictions	<u>1,020,799</u>	<u>1,206,282</u>
Net unrestricted public support and revenue	<u>3,152,554</u>	<u>3,256,413</u>
FUNCTIONAL EXPENSES:		
Program	2,005,269	1,837,516
Management and general	309,345	295,376
Fundraising	<u>929,926</u>	<u>917,908</u>
Total functional expenses	<u>3,244,540</u>	<u>3,050,800</u>
Change in unrestricted net assets	<u>(91,986)</u>	<u>205,613</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Public support and revenue -		
Scholars Program	331,613	656,984
Literature Program	324,727	218,200
Francophone Africa Project	5,000	-
Wheat Project	-	124,689
Jennifer Cuthertson	46,250	3,650
Preaching Program	199,990	145,981
Monitoring and Evaluation	6,600	-
Other	<u>5,000</u>	<u>-</u>
Total temporarily restricted public support and revenue	<u>919,180</u>	<u>1,149,504</u>
Net assets released from restrictions -		
Satisfaction of program restrictions	<u>(1,020,799)</u>	<u>(1,206,282)</u>
Change in temporarily restricted net assets	<u>(101,619)</u>	<u>(56,778)</u>
CHANGE IN TOTAL NET ASSETS	(193,605)	148,835
NET ASSETS, Beginning of year	<u>3,329,208</u>	<u>3,180,373</u>
NET ASSETS, End of year	<u>\$ 3,135,603</u>	<u>\$ 3,329,208</u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from public support and revenue	\$ 3,083,546	\$ 3,206,243
Cash paid for programs services, employees and supplies	(3,421,547)	(2,854,905)
Interest and dividends received	26,534	22,812
	<u>(311,467)</u>	<u>374,150</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales of investments	19,863	338,863
	<u>(291,604)</u>	<u>713,013</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
	(291,604)	713,013
CASH AND CASH EQUIVALENTS, Beginning of year	1,371,731	658,718
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,080,127</u>	<u>\$ 1,371,731</u>
RECONCILIATION OF CHANGE IN TOTAL NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in total net assets	\$ (193,605)	\$ 148,835
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,750	18,750
Net realized and unrealized (gain) on investments	(27,630)	-
(Increase) in accounts receivable	(6,650)	(11,817)
Decrease in promises to give	93,425	18,425
(Increase) in prepaid expenses	(21,059)	(1,385)
Increase (decrease) in accounts payable	(174,698)	178,530
	<u>(311,467)</u>	<u>351,338</u>
Net cash provided by (used in) operating activities	<u>\$ (311,467)</u>	<u>\$ 351,338</u>

The accompanying notes are an integral part of this statement.

LANGHAM PARTNERSHIP USA, INC., NFP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Langham Partnership USA, Inc., NFP (LPUSA), the U.S. member of 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 September 17, 2015, 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, 2015 and 2014, unrestricted net assets are \$2,970,705 and \$3,062,691, 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, 2015 and 2014, temporarily restricted net assets of \$164,898 and \$266,517, 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, 2015 and 2014, 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 mutual funds and common stocks. These investments are managed by an independent professional financial manager. The equity holdings are diversified among a number of different industries.

Investments -

LPUSA invests in various mutual funds and stocks. 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 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program	61.8%	60.2%
Management and general	9.5%	9.7%
Fundraising	28.7%	30.1%

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 2011. 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, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 93,422	\$ 143,424
Receivable in more than one year	<u>-</u>	<u>43,423</u>
Total unconditional promises to give	93,422	186,847
Less - Discount to net present value	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 93,422</u>	<u>\$ 186,847</u>

(3) INVESTMENTS:

	<u>2015</u>	<u>2014</u>
Investments consist of the following:		
Mutual funds	\$ 734,516	\$ 605,409
Common stocks	<u>725,341</u>	<u>846,681</u>
	<u>\$ 1,459,857</u>	<u>\$ 1,452,090</u>
Investment income includes:		
Interest and dividends	\$ 26,534	\$ 23,189
Net realized and unrealized gains	<u>27,630</u>	<u>167,878</u>
	<u>\$ 54,164</u>	<u>\$ 191,067</u>

Interest and dividends are net of investment management fees of \$11,401 and \$12,216 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014.

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, 2015.

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follow:

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 152,163	\$ -	\$ -	\$ 152,163
Treasury funds	291,838	-	-	291,838
Equity	290,515	-	-	290,515
Common stocks:				
Health Care	61,739	-	-	61,739
Entertainment	31,389	-	-	31,389
Technology	61,242	-	-	61,242
Consumables	86,227	-	-	86,227
Financial services	105,544	-	-	105,544
Industrials	81,163	-	-	81,163
Other	298,037	-	-	298,037
	<u>\$ 1,459,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,459,857</u>

(4) FAIR VALUE MEASUREMENTS: (Continued)

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 154,518	\$ -	\$ -	\$ 154,518
Treasury funds	270,765	-	-	270,765
Equity	255,804	-	-	255,804
Common stocks:				
Health Care	13,777	-	-	13,777
Entertainment	23,579	-	-	23,579
Technology	109,181	-	-	109,181
Consumables	139,676	-	-	139,676
Financial services	106,716	-	-	106,716
Industrials	51,033	-	-	51,033
Manufacturing	17,317	-	-	17,317
Other	309,724	-	-	309,724
	<u>\$ 1,452,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,452,090</u>

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, 2015 and 2014:

	Real Estate	
	2015	2014
Balance, beginning of year	\$ -	\$ 87,500
Realized and unrealized gains	-	-
Purchases, sales, donations, issuances and settlements (net)	-	87,500
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

(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 \$36,889 and \$54,435 in 2015 and 2014, respectively.

(6) LEASE COMMITMENT:

LPUSA rents office space in Milpitas, California under a month-to-month lease. The lease requires payments of \$241 per month.

Rental expense for the years ended June 30, 2015 and 2014 amounted to \$2,892 and 2,866, 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 24% and 25% of LPUSA's total expenses in 2015 and 2014, respectively. The funds were distributed as follows:

	<u>2015</u>	<u>2014</u>
Literature Program	\$ 438,193	\$ 448,601
Preaching Program	238,087	195,912
Scholars Program	108,364	112,730
Worldwide Ministry Support	<u>-</u>	<u>14,126</u>
	<u>\$ 784,644</u>	<u>\$ 771,369</u>

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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 years ended June 30, 2015 and 2014, and our report thereon dated September 17, 2015, 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 taken as a whole.


DUGAN & LOPATKA

Wheaton, Illinois
September 17, 2015

LANGHAM PARTNERSHIP USA, INC., NFP
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative totals for 2014)

	Program	Management and General	Fundraising	2015 Total	2014 Total
Scholarships and program expenses	\$ 1,390,748	\$ -	\$ -	\$ 1,390,748	\$ 1,137,461
Salaries	273,239	75,082	313,027	661,348	691,416
Benefits	76,016	24,600	77,902	178,518	198,682
Lodging/meals/travel	89,567	33,101	90,294	212,962	226,950
Professional fees	3,270	52,303	-	55,573	199,519
Consulting fees	82,187	43,264	33,106	158,557	106,521
Printing and duplication	5,510	5,748	157,879	169,137	85,168
Technical services	1,266	321	14,170	15,757	50,741
Conferences and meetings	3,058	4,824	1,575	9,457	49,918
Rent	-	-	2,892	2,892	2,867
Office supplies and equipment	9,066	17,757	12,158	38,981	19,028
Other expenses	66,488	2,327	351	69,166	(5,005)
Property and directors' insurance	-	10,423	-	10,423	12,269
Depreciation	-	18,750	-	18,750	18,750
Postage	959	2,271	28,781	32,011	9,962
Marketing	651	-	194,909	195,560	227,189
Bank and payroll service charges	1,099	14,736	-	15,835	10,783
Fax/telephone	2,145	3,838	2,882	8,865	8,581
Total functional expenses	<u>\$ 2,005,269</u>	<u>\$ 309,345</u>	<u>\$ 929,926</u>	<u>\$ 3,244,540</u>	<u>\$ 3,050,800</u>