THE MOODY BIBLE INSTITUTE
OF CHICAGO

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Moody Bible Institute of Chicago

Report on the Financial Statements

We have audited the accompanying financial statements of The Moody Bible Institute of Chicago (the Institute), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 audit 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moody Bible Institute of Chicago as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules presented on pages 32 and 33, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Crowe Horwath LLP

Chicago, Illinois
October 27, 2014

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 8,236,075	$ 7,544,447
Receivables		
Beneficial interest in term trusts held by others and pledges receivable	5,731,023	5,790,655
Other (less allowance for uncollectible amounts $598,000 in 2014 and $514,000 in 2013)	6,679,601	6,116,763
Inventories, net	4,604,212	4,406,696
Investments	114,393,242	105,641,567
Trust holdings	184,003,280	166,019,818
Property, plant, and equipment, net	55,114,948	55,721,230
Other	10,611,600	10,695,377
Total assets	$ 389,373,981	$ 361,936,553
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 10,888,161	$ 10,086,885
Accrued pension and postretirement health benefits	47,134,253	45,367,182
Annuity contract actuarial reserve	43,359,906	44,822,084
Trust obligations	142,754,595	129,817,364
Other	376,792	246,304
Total liabilities	244,513,707	230,339,819
Net assets		
Unrestricted	38,941,400	39,335,219
Temporarily restricted	68,372,362	55,800,212
Permanently restricted	37,546,512	36,461,303
Total net assets	144,860,274	131,596,734
Total liabilities and net assets	$ 389,373,981	$ 361,936,553

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support								
Contributions	$ 37,092,088	$ 11,011,940	$ -	$ 48,104,028	$ 33,663,621	$ 8,071,351	$ -	$ 41,734,972
Student fees and tuition	33,077,620	-	-	33,077,620	30,038,071	-	-	30,038,071
Sales of books and publications	18,577,774	-	-	18,577,774	18,023,970	-	-	18,023,970
Investment return designated for current operations	1,786,676	3,916,375	-	5,703,051	1,865,396	3,660,120	-	5,525,516
Other	10,293,630	1,036,911	-	11,330,541	9,649,620	35,743	-	9,685,363
Net assets released from restrictions	11,527,106	(11,527,106)	-	-	11,705,925	(11,705,925)	-	-
Total revenue, gains, and other support	112,354,894	4,438,120	-	116,793,014	104,946,603	61,289	-	105,007,892
Expenses								
Program								
Public ministries	39,129,461	-	-	39,129,461	38,548,825	-	-	38,548,825
Education	41,102,040	-	-	41,102,040	38,109,688	-	-	38,109,688
Student services	15,878,116	-	-	15,878,116	14,995,881	-	-	14,995,881
Total program expenses	96,109,617	-	-	96,109,617	91,654,394	-	-	91,654,394
Fund raising	10,227,660	-	-	10,227,660	8,994,638	-	-	8,994,638
Management and general	4,764,187	-	-	4,764,187	4,480,036	-	-	4,480,036
Total expenses	111,101,464	-	-	111,101,464	105,129,068	-	-	105,129,068
Changes in net assets from operating activities	1,253,430	4,438,120	-	5,691,550	(182,465)	61,289	-	(121,176)

(Continued)

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other changes in net assets								
Investment return in excess of amounts designated for current operations	$ 492,655	$ 7,482,112	$ -	$ 7,974,767	$ (142,790)	$ 2,187,700	$ -	$ 2,044,910
Permanently restricted contributions	-	-	726,509	726,509	-	-	3,654,377	3,654,377
Changes in present value of split-interest agreements	479,302	651,918	358,700	1,489,920	(240,604)	522,362	402,083	683,841
Change in estimate of asset retirement obligation (asbestos)	(97,580)	-	-	(97,580)	(106,694)	-	-	(106,694)
Change in value of accrued pension obligation	2,315,188	-	-	2,315,188	4,525,229	-	-	4,525,229
Change in value of postretirement health benefits obligation	(4,836,814)	-	-	(4,836,814)	575,457	-	-	575,457
Changes in net assets	(393,819)	12,572,150	1,085,209	13,263,540	4,428,133	2,771,351	4,056,460	11,255,944
Net assets at beginning of year	39,335,219	55,800,212	36,461,303	131,596,734	34,907,086	53,028,861	32,404,843	120,340,790
Net assets at end of year	$ 38,941,400	$ 68,372,362	$ 37,546,512	$ 144,860,274	$ 39,335,219	$ 55,800,212	$ 36,461,303	$ 131,596,734

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 13,263,540	$ 11,255,944
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	5,846,145	5,325,152
Loss (gain) on sales of property, plant, and equipment	(1,840,635)	9,384
Net realized and unrealized gain on investments	(11,199,212)	(5,041,681)
Contributions restricted for long-term investment	(726,509)	(3,654,377)
Loss (gain) in pension and postretirement health benefits	2,521,626	(5,100,686)
Decrease in pledges receivables	59,632	1,498,972
Increase in other receivables	(562,838)	(574,178)
Increase in inventories	(197,516)	(51,598)
Increase in accounts payable and accrued expenses	801,276	930,137
Decrease in accrued pension and postretirement health benefits	(754,555)	(472,872)
Decrease in annuity contract actuarial reserve	(1,462,178)	(1,279,662)
Change in other assets and liabilities	214,265	(150,974)
Net cash from operating activities	5,963,041	2,693,561
Cash flows from investing activities		
Purchase of investments	(21,850,385)	(36,105,871)
Proceeds from sales or maturities of investments	24,297,922	37,539,405
Purchase of property, plant, and equipment	(6,536,521)	(6,253,838)
Proceeds from sales of property, plant, and equipment	3,137,293	141,672
Increase in trust holdings	(17,983,462)	(5,062,178)
Increase in trust obligations	12,937,231	2,090,588
Net cash from investing activities	(5,997,922)	(7,650,222)
Cash flows from financing activities		
Contributions to endowment funds	726,509	3,654,377
Net cash from financing activities	726,509	3,654,377
Increase (decrease) in cash and cash equivalents	691,628	(1,302,284)
Cash and cash equivalents at beginning of year	7,544,447	8,846,731
Cash and cash equivalents at end of year	$ 8,236,075	$ 7,544,447

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The Moody Bible Institute of Chicago (the Institute) was incorporated in the state of Illinois in February 1887 as the Chicago Evangelization Society. The name was changed to The Moody Bible Institute of Chicago in March 1900.

The Institute exists to equip and motivate people to advance the cause of Christ through ministries that educate, edify, and evangelize. The primary means for executing this purpose are:

- Conducting Christian educational activities through undergraduate, graduate, and distance learning divisions and conference ministries;
- Publishing and distributing evangelical Christian literature; and
- Producing and broadcasting Christian radio programs.

The Institute draws its students from all fifty states as well as around the world. An Institute distinctive is its long held tuition-paid education model for full-time undergraduate students studying on the Chicago campus, which is financed through contributions from friends of the Institute. These students only pay for room and board and miscellaneous student fees. However, students studying on the Seminary campuses, Moody Spokane branch campus or through distance learning options pay tuition and student fees, as well as room and board if living on the Chicago campus. The amount of tuition charged does not fully cover the cost of all programs so some are also heavily financed by contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Institute have been prepared on the accrual basis of accounting. Significant accounting policies followed in preparation of these financial statements are described below.

General: The accompanying financial statements have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets in the statements of activities unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the statement of activities as net assets released from restrictions.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support and Revenue: Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are recognized when the condition on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as the contributions are received are reported as revenue of the unrestricted net asset class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

The Institute is the beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when the will clears probate and the proceeds are clearly measurable.

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Revenue from the sales of books and publications as well as Institute conferences are recorded when the goods are shipped or the conference is held. Amounts received in advance of shipment of books and publications, and conference dates are recorded as deferred revenue.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Institute's historical losses, accounts receivable aging information, specific circumstances and general economic conditions. Receivables are charged off against the allowance when all attempts to collect the receivable have failed.

Investment Return Designated for Current Operations: The Institute has adopted an endowment and investment spending policy in support of current operational budget requirements. The policy allows for the spending of a percentage of the prior year-end fair value of endowment assets (4.5% for fiscal years 2014 and 2013) and other investments (6.0% for fiscal years 2014 and 2013). If endowment and investment returns (i.e., interest, dividends, and gains) exceed the established spending rate, such excess is set aside and reinvested for future needs. If endowment returns are not sufficient to support the spending policy, the yield shortfall is provided from amounts previously set aside. The amounts spent for the current year are shown in the operating section on the statement of activity as "Investment return designated for current operations." The amount set aside is shown in the "Other changes in net assets" section as "Investment return in excess of amounts designated for current operations."

Operations: The changes in net assets from operating activities in the statement of activities reflect all transactions increasing or decreasing net assets except for endowment gifts, reinvestment of income and gains in excess of amounts designated for current operations, changes in asset retirement obligations, changes in the funded status of pension and other postretirement obligations in excess of net periodic benefit cost, and changes in the value of split interest agreements.

Cash Equivalents: Cash equivalents include all highly liquid investments with a maturity of three months or less. Cash equivalents that are held in an Institute managed trust are included with trust holdings.

Inventories: Inventories, which primarily consist of books and publications, are stated at the lower of cost or fair value. Cost is determined by the last in first out (LIFO) method.

Investments: Investments, except for real estate held for investment, in marketable equity and debt securities are reported at fair value.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment: Property, plant, and equipment are stated at cost at date of acquisition or at fair value at date of gift. Property, plant, and equipment are being depreciated principally on a straight-line method over their estimated useful lives.

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. This loss would be recorded if it is not recoverable.

The Institute has various literary collections, which consist of evangelical manuscripts, private papers, and rare books of several authors. The collections are not capitalized on the accounting records of the Institute.

Radio Station Licenses: Radio station licenses are recorded as other assets and are being amortized on a straight-line basis over 40 years.

Beneficial Interest in Trusts Held by Others: Donors have established and funded trusts which are administered as trustee by external organizations. Under the terms of the trusts, the Institute has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life (term) of the trust. The Institute does not control the assets held by outside trusts. Although the Institute has no control over the administration of the funds held in these term and perpetual trusts, the current fair value of the underlying assets, which approximates the estimated fair value of the expected future cash flows from the trusts, is recognized as an asset in the accompanying financial statements.

Obligations Under Split-Interest Agreements: These agreements include trusts, annuities, and a pooled income fund held by the Institute in which the Institute is a beneficiary. The liability on temporarily and permanently restricted irrevocable trusts held by the Institute is computed by taking the present value of the payments expected to be made to other beneficiaries at the date of the trust agreement. For these trusts, the discount rate utilized in 2013 and 2014 ranged from 2.68% to 6.0%. The liability on pooled income funds is calculated based on the fair value of the assets donated discounted at a rate from 2.68% to 6.0% for the estimated time period until the donor’s death. The Institute continues to use the policy of basing the annuity contract actuarial reserve at the standard set by the State of California. Annuities use the Internal Revenue Service (IRS) discount rate based on the date of the gift, and these rates range from 1.0% to 6.2%. Actuarial tables are used to estimate the years until distribution in all cases mentioned above. Contributions from split-interest agreements approximated $7,100,000 and $6,100,000 in 2014 and 2013.

Use of 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 amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

Income Taxes: The Institute has received a determination letter from the Internal Revenue Service indicating that the Institute has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the Institute has had no significant unrelated business income.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Institute follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Institute recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Institute has no amounts accrued for interest or penalties as of June 30, 2014 or 2013.

Due to its tax-exempt status, the Institute is not subject to U.S. federal income tax or state income tax. The Institute is no longer subject to examination by U.S. federal or state taxing authorities for the fiscal years before June 30, 2011. The Institute does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Reclassifications: Certain amounts previously reported in the 2013 financial statements have been reclassified to conform to the 2014 presentation. The reclassifications did not affect the net assets or the change in net assets for the year ended June 30, 2013.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2014, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2014. Management has performed their analysis through October 27, 2014, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

At June 30, 2014 and 2013, the carrying value of investments is comprised of the following:

	2014	2013
Common stocks	$ 15,746,595	$ 13,819,590
Mutual funds	37,238,979	33,122,744
Hedge fund	8,621,291	7,891,346
U.S. government securities	13,041,960	9,274,466
Corporate bonds	35,953,468	37,642,200
Real estate	621,308	641,544
Mortgage, note, and contract receivables	709,642	733,723
Other	2,459,999	2,515,954
	$ 114,393,242	$ 105,641,567

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Investments are allocated by fund as follows:

	2014	2013
Operating funds	$ 16,480,755	$ 17,000,586
Annuity fund	45,052,763	42,450,996
Other temporarily restricted funds	20,278,014	10,500,338
Endowment fund	32,581,710	35,689,647
Total carrying value	$ 114,393,242	$ 105,641,567

The annuity fund investments help to fund the annuity actuarial reserve liability of $43,359,906 and $44,822,084 at June 30, 2014 and 2013, respectively.

Investment return for the years ended June 30, 2014 and 2013, is as follows:

	Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 1,068,772	$ 1,702,230	$ 2,771,002
Realized and change in unrealized gain, net	1,341,274	9,857,938	11,199,212
Investment expense	(130,715)	(161,681)	(292,396)
Total investment return	2,279,331	11,398,487	13,677,818
Less amounts designated for current operations	1,786,676	3,916,375	5,703,051
Investment return in excess of amounts designated for current operations reinvested	$ 492,655	$ 7,482,112	$ 7,974,767

(Continued)

NOTE 3 - INVESTMENTS (Continued)

	Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 1,072,570	$ 1,770,805	$ 2,843,375
Realized and change in unrealized gain, net	804,835	4,236,849	5,041,684
Investment expense	(154,799)	(159,834)	(314,633)
Total investment return	1,722,606	5,847,820	7,570,426
Less amounts designated for current operations	1,865,396	3,660,120	5,525,516
Investment return in excess of amounts designated for current operations reinvested	$ (142,790)	$ 2,187,700	$ 2,044,910

The Institute provided a loan in the amount of $500,000 to assist the President in acquiring a residence in the city of Chicago in close proximity to the Institute's campus. Payments of interest only are made monthly at a rate of 4.0% per annum. It is held as part of the Institute notes in the Operating fund.

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS

As trustee, the Institute administers revocable trusts that provide for a beneficial interest to the Institute or other beneficiaries at the death of the grantor. Revocable trusts are subject to change at the discretion of the grantor and are, therefore, recorded as an asset and an equivalent liability. At the grantor's death, the remaining assets will be distributed to the Institute or other specified beneficiaries in accordance with the trust agreement.

In addition, the Institute administers irrevocable charitable remainder trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon the death of the grantor or other designated beneficiaries, the trusts will distribute assets to the designated remaindermen. The present value of the portion of the trust that is paid during the lifetime of other designated beneficiaries is recorded as a trust obligation in the statement of financial position. In addition, some of the trusts contain provisions requiring distributions to remaindermen other than the Institute. The portion of the trust attributable to other remaindermen is also recorded as a trust obligation in the statement of financial position. The change between reporting periods in the trust obligation is recorded in the statement of activities as a component of change in present value of split-interest agreements. This amount is reclassified to unrestricted net assets at the termination of the trust.

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS (Continued)

The assets held in trust by the Institute and the corresponding liabilities at June 30, 2014 and 2013, are comprised of the following:

	2014	2013
Trust assets:		
Cash and cash equivalents	$ 12,593,787	$ 8,620,676
Common and preferred stocks	44,971,383	39,022,085
U.S. government securities	34,581,650	35,570,170
Corporate bonds	14,823,650	15,354,445
Mutual funds	64,091,469	55,024,273
Real estate	2,978,104	2,872,283
Mortgage, note and contract receivables	339,484	442,907
Other assets	5,084,959	4,946,749
Beneficial interest in perpetual trusts held by others	4,538,794	4,166,230
	$ 184,003,280	$ 166,019,818

	2014	2013
Trust obligations:		
Revocable trusts	$ 85,611,134	$ 80,504,408
Irrevocable trusts	32,924,020	32,208,666
Pooled income funds	7,658,099	7,399,289
Due to other remaindermen	16,561,342	9,705,001
	$ 142,754,595	$ 129,817,364

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES

Cash and Cash Equivalents: The carrying amounts reported in the statement of financial position approximate their fair value.

Receivables: The carrying amounts reported in the statement of financial position approximate their fair value.

Accounts Payable And Accrued Expenses: The carrying amounts reported in the statement of financial position approximate their fair value.

Annuity Contract Actuarial Reserve: The carrying amount reported in the statement of financial position approximate their fair value and uses the historic discount rates at the time the annuities were established.

Trust Obligations: Fair value is based on the present value of the trust portion attributable to beneficiaries and remaindermen other than the Institute using historical discount rates at the time the trusts were established. The carrying amount reported in the statement of financial position approximates its fair value.

Investments and Trust Holdings, Other Than Real Estate: The fair value of equity and debt securities is based on quoted market prices if available or using quoted market prices for similar securities. The estimated fair value of alternative investments is based on valuations determined by the investment managers using net asset value (NAV).

FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Institute's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The following are descriptions of the valuation methods and assumptions used by the Institute to estimate the fair values of investments:

Common and preferred stocks: Institute equity holdings that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Institute holdings in some preferred stock are valued based on matrix pricing, which is a mathematical technique widely used in the industry to value securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Mutual funds: The fair values of mutual funds' investments in equity securities, fixed income securities and international holding securities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

U.S. government securities: Fair values reflect the closing price reported in the active market in which the security is traded (Level 1 inputs).

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings (Level 2 inputs).

Alternative Investments: Alternative investments consist of investments where there may be no active market. The Institute generally uses the net asset value (NAV) of the investment to determine the fair value of these investments, but considers information such as historical and current performance of underlying assets, liquidity terms of the investment agreements, completed or pending transactions in the underlying or a comparable investment, and overall market conditions in determining valuations (Level 2 inputs) (income and market approach).

Hedge Fund: The fund is a globally diversified, multi-strategy, multi-manager "fund of hedge funds" portfolio allocated to 20-30 managers focusing on such categories as: long/short equity, event driven, relative value, and global asset allocation. After one year lock up on each new deposit, the Institute has quarterly liquidity upon 65 day prior written notice.

Beneficial interest in assets held by others: The fair value of beneficial interests in trust assets (or any type of beneficial interest) was determined based upon the fair value of the underlying trust assets at June 30, 2014. This valuation method (income approach) has been estimated to represent the present value of future distributed income. (Level 3 inputs).

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Assets and Liabilities Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2014 Using				
	Level 1	Level 2	Level 3	Investments Valued At Cost	Total
Assets:					
Investments:					
Common and preferred stocks					
Domestic midcap	$ 370,764	$ -	$ -	$ -	$ 370,764
Domestic largecap	2,265,705	-	-	-	2,265,705
Master limited partnerships	7,569,508	-	-	-	7,569,508
Commodity	5,488,172	-	-	-	5,488,172
Other	47,234	-	-	5,212	52,446
Mutual funds					
Domestic smallcap	3,472,212	-	-	-	3,472,212
Domestic midcap	6,978,563	-	-	-	6,978,563
Domestic largecap	10,810,307	-	-	-	10,810,307
International largecap	15,977,897	-	-	-	15,977,897
Hedge fund	-	8,621,291	-	-	8,621,291
U.S. government securities	13,041,960	-	-	-	13,041,960
Corporate bonds	18,946,860	5,722,555	-	-	24,669,415
International bond funds	11,284,053	-	-	-	11,284,053
Real estate	-	-	-	621,308	621,308
Mortgage, note, and contract receivables	-	-	-	709,642	709,642
Other	-	-	-	2,459,999	2,459,999
Total investments	$ 96,253,235	$ 14,343,846	$ -	$ 3,796,161	$ 114,393,242

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

	Fair Value Measurements at June 30, 2014 Using				
	Level 1	Level 2	Level 3	Investments Valued At Cost	Total
Trust holdings:					
Cash and cash equivalents	$ 12,593,787	$ -	$ -	$ -	$ 12,593,787
Common and preferred stocks					
Domestic smallcap	1,904,644	-	-	-	1,904,644
Domestic midcap	7,090,582	-	-	-	7,090,582
Domestic largecap	29,109,747	-	-	-	29,109,747
International largecap	489,643	-	-	-	489,643
Preferred stocks	4,622,329	586,074	-	-	5,208,403
Partnership interests	485,252	532,353	-	-	1,017,605
Other	-	312	-	150,447	150,759
U.S. government securities	34,581,650	-	-	-	34,581,650
Corporate bonds	-	14,823,650	-	-	14,823,650
Mutual funds					
Balanced funds large	4,614,434	-	-	-	4,614,434
Corporate bond funds	28,028,928	-	-	-	28,028,928
Municipal bond funds	3,570,416	-	-	-	3,570,416
Stock funds small	2,998,659	-	-	-	2,998,659
Stock funds midcap	4,879,662	-	-	-	4,879,662
Stock funds large	15,753,883	-	-	-	15,753,883
Limited partnership fund	27,642	-	-	-	27,642
Stock funds international large	4,190,505	-	-	-	4,190,505
Taxable money market funds	-	-	-	17,281	17,281
Other	10,059	-	-	-	10,059
Real estate	-	-	-	2,978,104	2,978,104
Mortgage, note and contract receivables	-	-	-	339,484	339,484
Other assets	-	-	-	5,084,959	5,084,959
Beneficial interest in perpetual trusts held by others	-	-	4,538,794	-	4,538,794
Total trust holdings	$ 154,951,822	$ 15,942,389	$ 4,538,794	$ 8,570,275	$ 184,003,280
Beneficial interest in assets held by others and pledges receivable	$ -	$ -	$ 4,454,438	$ 1,276,585	$ 5,731,023

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

	Fair Value Measurements at June 30, 2013 Using				
	Level 1	Level 2	Level 3	Investments Valued At Cost	Total
Assets:					
Investments:					
Common and preferred stocks					
Domestic largecap	$ 2,303,057	$ -	$ -	$ -	$ 2,303,057
Master Limited Partnerships	6,120,007	-	-	-	6,120,007
Commodity	4,925,695	465,533	-	-	5,391,228
Other	-	86	-	5,212	5,298
Mutual funds					
Domestic smallcap	3,222,750	-	-	-	3,222,750
Domestic midcap	6,100,876	-	-	-	6,100,876
Domestic largecap	9,569,476	-	-	-	9,569,476
International largecap	14,229,642	-	-	-	14,229,642
Hedge Fund	-	-	7,891,346	-	7,891,346
U.S. government securities	9,274,466	-	-	-	9,274,466
Corporate bonds	21,386,181	5,203,231	-	-	26,589,412
International bond funds	11,052,788	-	-	-	11,052,788
Real estate	-	-	-	641,544	641,544
Mortgage, note, and contract receivables	-	-	-	733,723	733,723
Other	-	-	-	2,515,954	2,515,954
Total investments	$ 88,184,938	$ 5,668,850	$ 7,891,346	$ 3,896,433	$ 105,641,567

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

	Fair Value Measurements at June 30, 2013 Using				
	Level 1	Level 2	Level 3	Investments Valued At Cost	Total
Trust holdings:					
Cash and cash equivalents	$ 8,620,676	$ -	$ -	$ -	$ 8,620,676
Common and preferred stocks					
Domestic smallcap	1,171,552	-	-	-	1,171,552
Domestic midcap	5,438,985	-	-	-	5,438,985
Domestic largecap	26,914,345	-	-	-	26,914,345
International largecap	271,067	-	-	-	271,067
Preferred stocks	3,644,963	600,225	-	-	4,245,188
Partnership interests	433,929	455,202	-	-	889,131
Other	4,116	226	-	87,475	91,817
U.S. government securities	35,570,170	-	-	-	35,570,170
Corporate bonds	-	15,354,445	-	-	15,354,445
Mutual funds					
Balanced funds large	4,954,618	-	-	-	4,954,618
Corporate bond funds	26,480,954	-	-	-	26,480,954
Municipal bond funds	3,366,932	-	-	-	3,366,932
Stock funds small	2,115,904	-	-	-	2,115,904
Stock funds midcap	3,454,765	-	-	-	3,454,765
Stock funds large	11,701,159	-	-	-	11,701,159
Limited partnership fund	26,975	-	-	-	26,975
Stock funds international large	2,830,135	-	-	-	2,830,135
Taxable money market funds	-	-	-	19,289	19,289
Other	73,542	-	-	-	73,542
Real estate	-	-	-	2,872,283	2,872,283
Mortgage, note and contract receivables	-	-	-	442,907	442,907
Other assets	-	-	-	4,946,749	4,946,749
Beneficial interest in perpetual trusts held by others	-	-	4,166,230	-	4,166,230
Total trust holdings	$ 137,074,787	$ 16,410,098	$ 4,166,230	$ 8,368,703	$ 166,019,818
Beneficial interest in assets held by others and pledges receivable	$ -	$ -	$ 4,069,346	$ 1,721,309	$ 5,790,655

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014. During the year, the Hedge Fund's one year gate expired resulting in a transfer to level 2 investments as noted in the following table:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Hedge Fund	Trusts	Beneficial Interest	Total
Beginning balance, June 30, 2012	$ -	$ 3,790,354	$ 4,950,874	$ 8,741,228
Change in split interest agreements	-	375,876	64,934	440,810
Purchases	7,750,000	-	-	7,750,000
Unrealized gains	141,346	-	-	141,346
Contributions	-	-	151,828	151,828
Settlements	-	-	(1,098,290)	(1,098,290)
Ending balance, June 30, 2013	7,891,346	4,166,230	4,069,346	16,126,922
Change in split interest agreements	-	301,547	79,361	380,908
Unrealized gains	729,945	-	-	729,945
Contributions	-	71,017	340,270	411,287
Settlements	-	-	(34,539)	(34,539)
Transfer to Level 2 investments	(8,621,291)	-	-	(8,621,291)
Ending balance, June 30, 2014	$ -	$ 4,538,794	$ 4,454,438	$ 8,993,232

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2014 and 2013, are comprised of the following:

	2014	2013
Land and improvements	$ 15,540,205	$ 15,540,205
Building and building equipment	111,814,268	112,959,580
Furniture and equipment	18,151,645	17,153,106
Computer software	9,950,852	8,882,460
Capital lease - computer software and hardware	630,890	630,890
Construction in process	3,701,473	1,736,642
	159,789,333	156,902,883
Less allowance for depreciation and amortization	104,674,385	101,181,653
Total property, plant, and equipment	$ 55,114,948	$ 55,721,230

(Continued)

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT (Continued)

The provision for depreciation and amortization of property, plant, and equipment amounted to $5,846,145 and $5,325,152 for the years ended June 30, 2014 and 2013, respectively. Additionally, there is $30,887 of expenditures in construction in process that are also included in accounts payable at June 30, 2014. These amounts have been removed from the increase in accounts payable and purchase of property, plant and equipment lines in the statement of cash flows. The Institute's asset retirement obligation liability located within accounts payable and accrued expenses on the statement of financial position is $1,847,302 and $1,813,799 in 2014 and 2013, respectively.

NOTE 7 - OTHER ASSETS

Other assets are comprised at June 30, 2014 and 2013, of the following:

	2014	2013
Intangible assets		
Radio station licenses, net	$ 7,606,517	$ 7,933,415
Wingspread Publishing line, net	446,476	-
	8,052,993	7,933,415
Prepaid expenses	2,188,403	2,395,720
Other	370,204	366,242
Total other assets	$ 10,611,600	$ 10,695,377

Amortization expense related to the radio station licenses and online distance learning course development approximated $327,000 and $408,000 while accumulated amortization approximated $5,469,000 and $5,142,000 for the years ending June 30, 2014 and 2013, respectively. Over the next five years annual amortization expense related to the radio station licenses and the Wingspread Publishing line is estimated to be approximately $477,000 through June 30, 2017 and $327,000 thereafter.

NOTE 8 - BENEFIT PLANS

The Institute has a defined-benefit pension plan (the Pension Plan), implemented through a trust. Pension benefits vest after five years of service prior to retirement. A plan amendment was approved by the compensation committee of the Board of Trustees that transitions the Institute over a period of years from a defined-benefit retirement plan to a defined-contribution plan. The defined-contribution plan started January 1, 2006. Employees hired after this date are only eligible to participate in the defined contribution plan. Contributions to the defined contribution plan totaled $1,553,184 and $1,239,037 for the years ended June 30, 2014 and 2013, respectively.

In addition to the Pension Plan, the Institute also sponsors a defined-benefit healthcare plan (the Postretirement Plan) that provides postretirement medical benefits and life insurance to full-time employees who have worked 10 years at age 55 or five years at age 60 while in service with the Institute. The Postretirement Plan only covers employees and retirees who were hired on or before December 31, 1995.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

The following tables summarize the changes in the projected benefit obligation, plan assets, and funded status during 2014 and 2013:

	Pension Plan		Postretirement Plan	
	2014	2013	2014	2013
Change in projected benefit obligation				
Projected benefit obligation beginning of year	$ 73,710,364	$ 75,437,363	$ 26,728,906	$ 26,906,948
Service costs	918,622	1,000,803	390,041	443,239
Interest cost	3,317,948	3,140,693	1,160,522	1,118,304
Actuarial (gain) or loss	4,987,228	(2,943,508)	4,606,940	(688,183)
Benefits paid	(3,024,642)	(2,924,987)	(1,257,807)	(1,051,402)
Projected benefit obligation, end of year	$ 79,909,520	$ 73,710,364	$ 31,628,602	$ 26,728,906
Change in plan assets				
Fair value of plan assets, beginning of year	$ 55,072,088	$ 51,403,571	$ -	$ -
Actual return on plan assets	8,756,423	2,693,504	-	-
Employer contribution	3,600,000	3,900,000	1,257,807	1,051,402
Benefits paid	(3,024,642)	(2,924,987)	(1,257,807)	(1,051,402)
Fair value of plan assets, end of year	$ 64,403,869	$ 55,072,088	$ -	$ -
Funded status - liability recognized in the statement of financial position	$ (15,505,651)	$ (18,638,276)	$ (31,628,602)	$ (26,728,906)

While the Pension Plan is underfunded in that the fair value of plan assets at June 30 is less than the total of all future benefits earned as of that date, the Institute has met and exceeded all required cash contributions to the Pension Plan. Contributions are invested to produce income to the Pension Plan sufficient to meet all future requirements, given management's actuarial assumptions about the expected long-term return on plan assets, discount rates, and plan demographics.

Postretirement healthcare costs are funded each year out of the Institute's operating budget; the liability above represents total expected expenses over the lives of all covered employees, retirees, and dependents.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

The accumulated benefit obligation for the pension plan was $75,472,998 and $69,627,518 for the years ended June 30, 2014 and 2013, respectively. The accumulated benefit obligation for the Postretirement Plan was $31,628,602 and $26,728,906 for the years ended June 30, 2014 and 2013, respectively.

Net periodic benefit cost, which is reported as an operating expense of the Institute, is composed of the following during 2014 and 2013:

	Pension Plan		Postretirement Plan	
	2014	2013	2014	2013
Service cost	$ 918,622	$ 1,000,803	$ 390,041	$ 443,239
Interest cost	3,317,948	3,140,693	1,160,522	1,118,304
Expected return on plan assets	(3,870,372)	(3,756,577)	-	-
Amortization of unrecognized prior service cost	191,420	191,420	(112,726)	(112,726)
Amortization of net loss	2,224,945	2,453,374	(117,148)	-
Net periodic benefit cost	$ 2,782,563	$ 3,029,713	$ 1,320,689	$ 1,448,817

Amounts recognized as non-operating activities during 2014 and 2013, are as follows:

	Pension Plan		Postretirement Plan	
	2014	2013	2014	2013
Prior service costs	$ (191,420)	$ (191,420)	$ 112,726	$ 112,726
Actuarial loss (gain)	(2,123,768)	(4,333,809)	4,724,088	(688,183)
	$ (2,315,188)	$ (4,525,229)	$ 4,836,814	$ (575,457)

The weighted-average assumptions used in determining the actuarial present value of the projected benefit obligation and the expected rate of return on plan assets were as follows as of June 30:

	Pension Plan		Postretirement Plan	
	2014	2013	2014	2013
Discount rate	4.15%	4.60%	4.15%	4.60%
Rate of compensation increase	2.50%*	2.50%*	-	-

*3.0% for years thereafter.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for year ended June 30:

	Pension Plan		Postretirement Plan	
	2014	2013	2014	2013
Discount rate	4.60%	4.25%	4.60%	4.25%
Expected long-term return plan assets	7.00%	7.25%	-	-
Rate of compensation increase	2.50%*	2.50%*	-	-
*3.0% for years thereafter.				

The fair value of the Institute's Pension Plan assets at June 30, 2014 and 2013, by asset class is as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Common collective trusts				
Domestic equity mutual funds	$ -	$ 16,071,503	$ -	$ 16,071,503
Domestic fixed income	-	20,214,939	-	20,214,939
Domestic government fixed income	-	5,217,811	-	5,217,811
International equities	-	13,099,521	-	13,099,521
Mutual funds				
US real estate	3,789,579	-	-	3,789,579
Commodity fund	5,011,816	-	-	5,011,816
Short-term investments				
High-grade money market instruments with short maturities	-	998,700	-	998,700
	$ 8,801,395	$ 55,602,474	$ -	$ 64,403,869

NOTE 8 - BENEFIT PLANS (Continued)

	2013			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Common collective trusts				
Domestic equity mutual funds	$ -	$ 13,747,224	$ -	$ 13,747,224
Domestic fixed income	-	16,890,881	-	16,890,881
Domestic government fixed income	-	4,296,780	-	4,296,780
International equities	-	11,135,838	-	11,135,838
Mutual funds				
US real estate	3,336,230	-	-	3,336,230
Commodity fund	4,282,689	-	-	4,282,689
Short-term investments				
High-grade money market instruments with short maturities	-	1,382,446	-	1,382,446
	$ 7,618,919	$ 47,453,169	$ -	$ 55,072,088

Common collective trusts: The fair values of participation units held in common collective trusts and the short term investment fund are based on their net asset values, as reported by the fund managers of the common collective trusts and the short-term investment and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date (Level 2 inputs). The investment objectives and underlying investments of the common collective trusts vary, with some holding diversified portfolios of domestic and international stocks and open-ended mutual funds, some holding short-term and/or medium-term corporate, world, government and government agency bonds, and others holding a portfolio of treasury-inflation protected securities. Each common collective trust provides for daily redemptions by the Plan at reported net asset values per share, with no advance notice requirements.

Mutual funds: The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The target allocation of pension plan assets for the years ended June 30, 2014 and 2013 was 59% for equity securities, 39% for debt securities, and 2% for cash equivalents, respectively.

The objective of the investment allocation strategy is to meet the commitment to plan participants at a reasonable cost to the Institute. The Pension Plan assets are to be actively invested to achieve growth through capital appreciation and accumulation and reinvestment of interest and dividend income.

Contributions: The Institute contributed $3,600,000 and $3,900,000 to the Pension Plan in 2014 and 2013, respectively. Based on the advice of its consulting actuary, the Institute's employer contributions expected to be paid in fiscal year 2015 total approximately $3,180,000.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Plan	Postretirement Plan
2015	$ 3,401,459	$ 1,363,879
2016	3,553,507	1,376,368
2017	3,692,597	1,383,201
2018	3,813,469	1,391,934
2019	3,950,995	1,431,911
Years 2020-2023	21,890,601	7,720,161

The annual increase in healthcare costs is assumed to be 5.9% initially decreasing gradually to 4.30% in 2083 and thereafter. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects on the Postretirement Plan:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components in 2014	$ 322,253	$ (256,811)
Effect on postretirement benefit obligation at June 30, 2014	4,928,590	(3,987,526)

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets are available for the following purposes for the years ended June 30, 2014 and 2013:

Temporarily Restricted

	June 30,	
Temporarily Restricted	2014	2013
Purpose restrictions		
Scholarships, grants, and student loans	$ 14,943,424	$ 12,669,577
Unallocated operating endowment	4,026,272	2,181,974
Broadcast construction/renovation projects	1,284,718	942,293
Miscellaneous projects	5,462,394	4,425,034
Time restrictions		
Annuity Fund Balance	2,072,615	-
Beneficial interest in term trusts held by others	4,454,438	4,069,346
Irrevocable trust agreements for which the Institute is trustee	36,128,501	31,511,988
	$ 68,372,362	$ 55,800,212

(Continued)

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Permanently Restricted

	June 30,	
Permanently Restricted	2014	2013
Endowments held by the Institute		
Student aid	$ 15,819,200	$ 15,264,582
General purpose	4,821,869	4,821,868
Building maintenance	3,804,030	3,804,030
Education ministries	7,874,030	7,773,456
Broadcast ministries	107,200	106,900
Held in MBI managed Trusts	581,389	524,237
Endowments held by others on behalf of the Institute		
Beneficial interest in perpetual trusts held by others	4,538,794	4,166,230
	$ 37,546,512	$ 36,461,303

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

Net Assets Released

	June 30,	
Net Assets Released	2014	2013
Purpose restriction accomplished		
Moody capital projects	$ 1,261,902	$ 1,067,047
Broadcast construction/renovation projects	1,613,457	803,528
Student grants and scholarships	1,814,612	2,130,536
Educational purposes	812,932	692,855
Miscellaneous projects	39,882	32,410
	5,542,785	4,726,376
Time restrictions expired		
Termination of irrevocable trust agreements	4,726,621	5,502,275
Termination of charitable gift annuities	1,257,700	1,477,274
	5,984,321	6,979,549
	$ 11,527,106	$ 11,705,925

Assets released from restrictions include assets distributed to the Institute from terminated trusts and restricted donations expended for their restricted purposes. Certain costs related to assets released are included in fund-raising expenses.

NOTE 10 - ENDOWMENT COMPOSITION

The Institute's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments for Scholarships for students.

Interpretation of Relevant Law**:**
Under the Uniform Prudent Management of Institutional funds Act (UPMIFA) of the State of Illinois, the Institute's Board of Trustees set the following guidelines to operate the endowment fund: The permanently restricted endowment fund will distribute to the current fund or to other funds to be used for ministry purpose each year 4.5% of the fund, as valued on the first day of each fiscal year. Income and appreciation in excess of that amount shall be retained and accumulated within the Endowment Fund.

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$10,150,698	$ 37,546,512	$ 47,697,210
Board-designated funds	1,722,852	-	-	1,722,852
Total funds	$ 1,722,852	$10,150,698	$ 37,546,512	$ 49,420,062

Endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$ 5,567,715	$ 36,461,303	$ 42,029,018
Board-designated funds	1,594,092	-	-	1,594,092
Total funds	$ 1,594,092	$ 5,567,715	$ 36,461,303	$ 43,623,110

(Continued)

NOTE 10 - ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for years ended June 30, 2014 and 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2012	$ 1,577,132	$ 3,687,332	$ 32,404,843	$ 37,669,307
Investment return:				
Investment income, net of fees	33,526	432,368	-	465,894
Realized/unrealized gain	59,434	2,330,462	-	2,389,896
Change in split interest trusts held by others	-	-	402,083	402,083
New gifts	-	20,631	3,654,377	3,675,008
Appropriation for expenditure	(76,000)	(903,078)	-	(979,078)
Net assets, June 30, 2013	1,594,092	5,567,715	36,461,303	43,623,110
Investment return:				
Investment income, net of fees	33,396	484,389	-	517,785
Realized/unrealized gain	149,744	4,765,426	-	4,915,170
Change in split interest trusts held by others	-	-	358,700	358,700
New gifts	-	23,873	726,509	750,382
Appropriation for expenditure	(54,380)	(690,705)	-	(745,085)
Net assets, June 30, 2014	$ 1,722,852	$ 10,150,698	$ 37,546,512	$ 49,420,062

Return Objectives and Risk Parameters: The investment objective of the endowment fund is to achieve, at minimum, an average total return of inflation plus 4% per year on a long-term basis. The asset allocation of the fund is designed to meet this objective with the lowest possible risk, and is determined using generally accepted techniques, which consider historic returns of various asset classes to calculate an efficient frontier.

Spending Policy: For the fiscal years 2014 and 2013, the Institute's policy for the appropriation of endowment assets for expenditure was to appropriate up to 4.5% of the value of those assets as of the first day of the new fiscal year for the donor-restricted endowment fund.

Donor-Restricted Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no donor-restricted deficiencies as of June 30, 2014 and 2013. Donor-restricted principal, unless otherwise directed by the donor, shall not be disbursed.

(Continued)

NOTE 11 - UNSECURED LINE OF CREDIT

The Institute has a $7,000,000 uncommitted line of credit with The Northern Trust Company (the Bank). Drawings on the line of credit are available solely on approval by the Bank; bear interest at Prime or LIBOR plus 1.2%, and are due on demand. There are no borrowings under the line of credit as of June 30, 2014 and 2013.

NOTE 12 - COMMITMENTS

The Institute has lease contracts and maintenance agreements for satellite and radio transmission towers, office and classroom space, computers and other equipment. Certain of these contracts and agreements contain renewal provisions. Expenses incurred under these agreements were approximately $1,700,000 and $1,600,000 for 2014 and 2013, respectively. The Institute also has capital lease agreements related to computer software and hardware. These lease agreements entered into on October 26, 2011 are 48 months in length with monthly payments of $13,905 and a $1 buyout option at the end of the lease term. The Institute paid $8,481 and $12,829 for interest on the capital lease in the fiscal years ending June 30, 2014 and 2013, respectively. Future minimum commitments for both operating and capital leases and maintenance agreements with non-cancelable terms in excess of one year are as follows at June 30:

	Operating Amount	Capital Amount
2015	$ 1,128,297	$ 166,858
2016	498,576	55,619
2017	391,005	-
2018	304,810	-
2019	261,974	-
Thereafter	1,266,434	-
Total minimum operating lease payments	$ 3,851,096	222,477
Less: Amount representing interest		(8,481)
Present value of net minimum lease payments		$ 213,996

In 2007, the Institute entered into a group employee health insurance plan with Blue Cross and Blue Shield of Illinois, whereby Blue Cross and Blue Shield provides certain administrative services and provides specific and aggregate stop loss coverage. The Institute pays a reduced monthly premium; however, it is responsible for the funding of all claims up to $300,000 per individual per policy year. A liability of approximately $340,200 and $350,400 has been recorded by the Institute as of June 30, 2014 and June 30, 2013, respectively, for estimated claims incurred but not reported on that date. Group health insurance expense for the fiscal years ended June 30, 2014 and 2013, totaled approximately $6,990,000 and $7,280,000, respectively.

(Continued)

NOTE 13 - CONTINGENCIES

The Institute is party to certain legal proceedings and allegations. In most cases, these matters are covered by commercial insurance. Management is of the opinion that these matters will not have a material effect on the Institute's financial position or changes in net assets.

The Institute receives approximately $4.2 million in student financial aid from the U.S. Department of Education. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in federal regulations and are subject to audit by the U.S. Department of Education and possible disallowance of certain expenditures. The Institute has not had any significant disallowance of student financial aid in the past and expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

THE MOODY BIBLE INSTITUTE OF CHICAGO
SCHEDULE OF FINANCIAL POSITION BY NET ASSET CATEGORY
June 30, 2014 and 2013

	2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013 Total
ASSETS					
Cash and cash equivalents	$ 4,685,528	$ 3,701,134	$ (150,587)	$ 8,236,075	$ 7,544,447
Receivables					
Beneficial interest in term trusts held by others and pledges receivable	-	5,731,023	-	5,731,023	5,790,655
Other, net	5,806,803	872,592	206	6,679,601	6,116,763
Inventories, net	4,604,212	-	-	4,604,212	4,406,696
Investments	16,480,755	65,330,777	32,581,710	114,393,242	105,641,567
Trust holdings	-	178,528,381	5,474,899	184,003,280	166,019,818
Property, plant, and equipment, net	55,114,948	-	-	55,114,948	55,721,230
Due from (to) other funds	25,000	(25,000)	-	-	-
Other	10,611,600	-	-	10,611,600	10,695,377
Total assets	$ 97,328,846	$ 254,138,907	$ 37,906,228	$ 389,373,981	$ 361,936,553
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 10,877,661	$ 5,500	$ 5,000	$ 10,888,161	$ 10,086,885
Accrued pension and postretirement health benefits	47,134,253	-	-	47,134,253	45,367,182
Annuity contract actuarial reserve	-	43,359,906	-	43,359,906	44,822,084
Trust obligations	-	142,399,879	354,716	142,754,595	129,817,364
Other	375,532	1,260	-	376,792	246,304
Total liabilities	58,387,446	185,766,545	359,716	244,513,707	230,339,819
Net assets					
Unrestricted	38,941,400	-	-	38,941,400	39,335,219
Temporarily restricted	-	68,372,362	-	68,372,362	55,800,212
Permanently restricted	-	-	37,546,512	37,546,512	36,461,303
Total net assets	38,941,400	68,372,362	37,546,512	144,860,274	131,596,734
Total liabilities and net assets	$ 97,328,846	$ 254,138,907	$ 37,906,228	$ 389,373,981	$ 361,936,553

See accompanying independent auditors' report.

THE MOODY BIBLE INSTITUTE OF CHICAGO

TRUSTEES AND OFFICERS
As of June 30, 2014
(Unaudited)