THE MOODY BIBLE INSTITUTE OF CHICAGO

FINANCIAL STATEMENTS

June 30, 2016 and 2015

THE MOODY BIBLE INSTITUTE OF CHICAGO
FINANCIAL STATEMENTS
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CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Moody Bible Institute of Chicago
Chicago, Illinois

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, 2016 and 2015, 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, 2016 and 2015, 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 are the responsibility of management, are presented for purposes of additional analysis and are 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. The 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 audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
October 19, 2016

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 9,473,429	$ 12,980,916
Receivables		
Beneficial interest in term trusts held by others and pledges receivable (less allowance for uncollectible amounts $235,000 in 2016 and $256,000 in 2015)	4,349,537	6,288,594
Other (less allowance for uncollectible amounts $393,000 in 2016 and $488,000 in 2015)	6,303,210	6,640,130
Inventories, net	3,637,857	4,287,100
Investments	114,002,389	111,653,287
Trust holdings	160,475,840	169,431,298
Property, plant, and equipment, net	51,995,052	54,158,261
Other	10,172,267	10,279,812
Total assets	$ 360,409,581	$ 375,719,398
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 11,028,533	$ 10,925,270
Accrued pension and postretirement health benefits	41,732,735	36,280,502
Annuity contract actuarial reserve	42,346,558	44,453,863
Trust obligations	126,145,405	130,856,744
Other	450,768	339,950
Total liabilities	221,703,999	222,856,329
Net assets		
Unrestricted	41,825,569	48,197,682
Temporarily restricted	58,500,395	66,425,626
Permanently restricted	38,379,618	38,239,761
Total net assets	138,705,582	152,863,069
Total liabilities and net assets	$ 360,409,581	$ 375,719,398

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains, and other support								
Contributions	$ 37,332,234	$ 7,373,987	$ -	$ 44,706,221	$ 32,810,637	$ 13,163,791	$ -	$ 45,974,428
Student fees and tuition	35,688,850	-	-	35,688,850	35,267,901	-	-	35,267,901
Sales of books and publications	20,285,758	-	-	20,285,758	19,697,419	-	-	19,697,419
Investment return designated for								-
current operations	1,946,498	3,452,026	-	5,398,524	1,991,661	3,948,517	-	5,940,178
Other	8,774,932	286,921	-	9,061,853	8,329,498	642,840	-	8,972,338
Net assets released from restrictions	15,495,517	(15,495,517)	-	-	21,090,897	(21,090,897)	-	-
Total operating revenue, gains, and other support	119,523,789	(4,382,583)	-	115,141,206	119,188,013	(3,335,749)	-	115,852,264
Operating expenses								
Program								
Public ministries	41,389,182	-	-	41,389,182	39,740,766	-	-	39,740,766
Education	42,944,182	-	-	42,944,182	43,643,543	-	-	43,643,543
Student services	16,800,980	-	-	16,800,980	16,057,918	-	-	16,057,918
Total program expenses	101,134,344	-	-	101,134,344	99,442,227	-	-	99,442,227
Fund raising	10,196,670	-	-	10,196,670	10,629,567	-	-	10,629,567
Management and general	4,880,244	-	-	4,880,244	5,475,588	-	-	5,475,588
Total operating expenses	116,211,258	-	-	116,211,258	115,547,382	-	-	115,547,382
Changes in net assets from operating activities	3,312,531	(4,382,583)	-	(1,070,052)	3,640,631	(3,335,749)	-	304,882

(Continued)

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other changes in net assets								
Investment return in excess of (less than) amounts designated for current operations	$ (637,590)	$ (5,207,391)	$ -	$ (5,844,981)	$ (53,761)	$ (6,046,644)	$ -	$ (6,100,405)
Contributions for new building	-	30,924	-	30,924	-	7,739,142	-	7,739,142
Permanently restricted contributions	-	-	463,574	463,574	-	-	724,731	724,731
Changes in present value of split-interest agreements	(3,583,467)	1,731,510	(323,717)	(2,175,674)	(5,081,708)	(303,485)	(31,482)	(5,416,675)
Change in estimate of asset retirement obligation (asbestos)	(109,045)	-	-	(109,045)	(102,631)	-	-	(102,631)
Net assets released for new building	97,691	(97,691)	-	-	-	-	-	-
Change in value of accrued pension obligation	(5,148,039)	-	-	(5,148,039)	(4,335,835)	-	-	(4,335,835)
Change in value of postretirement health benefits obligation	(304,194)	-	-	(304,194)	15,189,586	-	-	15,189,586
Changes in net assets	(6,372,113)	(7,925,231)	139,857	(14,157,487)	9,256,282	(1,946,736)	693,249	8,002,795
Net assets at beginning of year	48,197,682	66,425,626	38,239,761	152,863,069	38,941,400	68,372,362	37,546,512	144,860,274
Net assets at end of year	$ 41,825,569	$ 58,500,395	$ 38,379,618	$ 138,705,582	$ 48,197,682	$ 66,425,626	$ 38,239,761	$ 152,863,069

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (14,157,487)	$ 8,002,795
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization of property, plant, and equipment	6,164,278	6,505,809
Amortization of other assets	522,467	518,715
Loss on sales of property, plant, and equipment	201,735	319,685
Net realized and unrealized loss on investments	3,460,693	3,335,100
Contributions restricted for permanent investment	(463,574)	(724,731)
Loss (gain) in pension and postretirement health benefits	5,452,233	(10,853,751)
Decrease (increase) in pledges receivables	1,939,057	(557,571)
Decrease in other receivables	336,920	39,471
Decrease in inventories	649,243	317,112
Increase in accounts payable and accrued expenses	103,263	37,109
(Decrease) increase in annuity contract actuarial reserve	(2,107,305)	1,093,957
Change in other assets and liabilities	(304,104)	(223,769)
Net cash from operating activities	1,797,419	7,809,931
Cash flows from investing activities		
Purchase of investments	(35,128,327)	(34,785,637)
Proceeds from sales or maturities of investments	29,318,532	34,190,492
Purchase of property, plant, and equipment	(4,532,673)	(5,868,807)
Proceeds from sales of property, plant, and equipment	329,869	-
Decrease in trust holdings	8,955,458	14,571,982
Decrease in trust obligations	(4,711,339)	(11,897,851)
Net cash from investing activities	(5,768,480)	(3,789,821)
Cash flows from financing activities		
Contributions restricted for permanent investment	463,574	724,731
Net cash from financing activities	463,574	724,731
(Decrease) increase in cash and cash equivalents	(3,507,487)	4,744,841
Cash and cash equivalents at beginning of year	12,980,916	8,236,075
Cash and cash equivalents at end of year	$ 9,473,429	$ 12,980,916

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, seminary, 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 not subject to donor-imposed stipulations.

Temporarily restricted – 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 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 2016 and 2015) and other investments (5.0% and 6.0% for fiscal years 2016 and 2015, respectively). 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, contributions for the new building, 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 annual contributions, changes in the value of split interest agreements, and assets released to construct a new building on the Chicago Campus.

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. The Institute maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses in such accounts. Management believes that the Institute is not exposed to any significant credit risk on cash.

Inventories: Inventories, which primarily consist of books and publications, are stated at the lower of cost or fair value. Cost is determined by the average cost method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments, except for real estate held for investment and other non-marketable investments, in marketable equity, debt securities, and alternative investments are reported at fair value. All investments valued at cost 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.

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. The Institute's policy is to capitalize purchases that exceed $5,000 and have a useful life of at least three years. 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 2015 and 2016 ranged from 2.2% 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 2.2% 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 $6,200,000 and $12,300,000 in 2016 and 2015, respectively.

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.

(Continued)

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, 2016 or 2015.

<u>Recent Accounting Guidance</u>: In May 2014, the FASB issued (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2017. The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

In February 2016, the FASB issued (ASU) 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity). The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

In August 2016, the FASB issued (ASU) 2016-14, *Not-for-Profit Entities: Topic 958.* The amendments in this Update affect not-for-profit entity's (NFP's) and the users of their general purpose financial statements. The amendments in this Update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

<u>Reclassifications</u>: Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the change in net assets or net assets.

<u>Subsequent Events</u>: Management has performed an analysis of the activities and transactions subsequent to June 30, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2016. Management has performed their analysis through October 19, 2016, the date the financial statements were available to be issued.

(Continued)

NOTE 3 - INVESTMENTS

At June 30, 2016 and 2015, the carrying value of investments is comprised of the following:

	2016	2015
Common stocks	$ 10,442,648	$ 13,747,079
Mutual funds	36,676,774	35,485,317
Hedge fund	8,670,034	9,246,010
U.S. government securities	19,244,672	14,836,036
Corporate bonds	35,018,128	34,478,179
Real estate	730,791	704,043
Mortgage, note, and contract receivables	520,523	538,214
Other	2,698,819	2,618,409
Total investments	114,002,389	111,653,287
Cash and cash equivalents	9,473,429	12,980,916
Total investments and cash equivalents	$ 123,475,818	$ 124,634,203

Investments and cash and cash equivalents are allocated by fund as follows:

	2016	2015
Operating funds	$ 29,554,207	$ 25,515,796
Annuity fund	36,684,176	40,166,835
Other temporarily restricted funds	23,618,204	25,851,467
Endowment fund	33,619,231	33,100,105
Total carrying value	$ 123,475,818	$ 124,634,203

The annuity fund investments help to fund the annuity actuarial reserve liability of $42,346,558 and $44,453,863 at June 30, 2016 and 2015, respectively.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Investment return for the years ended June 30, 2016 and 2015, is as follows:

	Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 1,357,399	$ 1,974,517	$ 3,331,916
Realized and change in unrealized gain (loss), net	114,678	(3,575,371)	(3,460,693)
Investment expense	(163,169)	(154,511)	(317,680)
Total investment return	1,308,908	(1,755,365)	(446,457)
Less amounts designated for current operations	1,946,498	3,452,026	5,398,524
Investment return in excess of (less than) amounts designated for current operations	$ (637,590)	$ (5,207,391)	$ (5,844,981)

	Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 1,397,711	$ 2,108,350	$ 3,506,061
Realized and change in unrealized gain (loss), net	691,726	(4,026,826)	(3,335,100)
Investment expense	(151,537)	(179,651)	(331,188)
Total investment return	1,937,900	(2,098,127)	(160,227)
Less amounts designated for current operations	1,991,661	3,948,517	5,940,178
Investment return in excess of (less than) amounts designated for current operations	$ (53,761)	$ (6,046,644)	$ (6,100,405)

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.

(Continued)

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.

The assets held in trust by the Institute and the corresponding liabilities at June 30, 2016 and 2015, are comprised of the following:

	2016	2015
Trust assets:		
Cash and cash equivalents	$ 8,548,862	$ 14,940,959
Common and preferred stocks	39,251,506	40,173,474
U.S. government securities	26,527,261	28,204,681
Corporate bonds	11,717,358	11,973,562
Mutual funds	65,986,597	63,931,859
Real estate	2,427,689	3,227,590
Mortgage, note and contract receivables	193,786	225,787
Other assets	1,647,916	2,259,357
Beneficial interest in perpetual trusts held by others	4,174,865	4,494,029
	$ 160,475,840	$ 169,431,298

	2016	2015
Trust obligations:		
Revocable trusts	$ 78,875,729	$ 78,573,501
Irrevocable trusts	30,331,039	31,581,244
Pooled income funds	7,409,486	7,849,155
Due to other remaindermen	9,529,151	12,852,844
	$ 126,145,405	$ 130,856,744

(Continued)

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.

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) (income and market approach).

(Continued)

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

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) (income and market approach).

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).

Alternative Investments: Alternative investments consist of investments where there may be no active market. The Institute has elected to value alternative investments at fair value and 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. As of June 30, 2016, all Institute investments in the Fund were more than one year old, and thus had quarterly liquidity. The hedge fund had an unrealized gain of approximately $920,000 for the year ended June 30, 2016.

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, 2016. This valuation method has been estimated to represent the present value of future distributed income (Level 3 inputs) (income approach).

(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, 2016 Using				
	Level 1	Level 2	Level 3	Valued At Cost	Total
Assets:					
Investments:					
Common and preferred stocks					
Domestic midcap	$ 527,154	$ -	$ -	$ -	$ 527,154
Domestic largecap	3,526,768	-	-	-	3,526,768
Master limited partnerships	6,343,903	-	-	-	6,343,903
Other	39,611	-	-	5,212	44,823
Mutual funds					
Domestic smallcap	3,918,702	-	-	-	3,918,702
Domestic midcap	3,065,223	-	-	-	3,065,223
Domestic largecap	12,266,327	-	-	-	12,266,327
International largecap	17,426,522	-	-	-	17,426,522
Hedge fund	-	8,670,034	-	-	8,670,034
U.S. government securities	19,244,672	-	-	-	19,244,672
Corporate bonds	19,838,401	9,899,556	-	-	29,737,957
International bond funds	5,280,171	-	-	-	5,280,171
Real estate	-	-	-	730,791	730,791
Mortgage, note, and contract receivables	-	-	-	520,523	520,523
Other	-	-	-	2,698,819	2,698,819
Total investments	91,477,454	18,569,590	-	3,955,345	114,002,389
Cash and cash equivalents	-	-	-	9,473,429	9,473,429
Total investments and cash equivalents	$ 91,477,454	$ 18,569,590	$ -	$ 13,428,774	$ 123,475,818

(Continued)

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

	Fair Value Measurements at June 30, 2016 Using				
	Level 1	Level 2	Level 3	Valued At Cost	Total
Trust holdings:					
Cash and cash equivalents	$ -	$ -	$ -	$ 8,548,862	$ 8,548,862
Common and preferred stocks					
Domestic smallcap	587,057	-	-	-	587,057
Domestic midcap	5,110,649	-	-	-	5,110,649
Domestic largecap	24,827,068	-	-	-	24,827,068
International largecap	133,893	-	-	-	133,893
Preferred stocks	7,726,943	40,336	-	-	7,767,279
Partnership interests	187,272	457,688	-	-	644,960
Other	-	-	-	180,600	180,600
U.S. government securities	26,527,261	-	-	-	26,527,261
Corporate bonds	-	11,717,358	-	-	11,717,358
Mutual funds					
Balanced funds large	5,398,618	-	-	-	5,398,618
Corporate bond funds	26,083,922	-	-	-	26,083,922
Municipal bond funds	6,012,328	-	-	-	6,012,328
Stock funds small	3,173,107	-	-	-	3,173,107
Stock funds midcap	4,813,479	-	-	-	4,813,479
Stock funds large	16,199,339	-	-	-	16,199,339
Stock funds international large	4,297,209	-	-	-	4,297,209
Other	8,595	-	-	-	8,595
Real estate	-	-	-	2,427,689	2,427,689
Mortgage, note and contract receivables	-	-	-	193,786	193,786
Other assets	-	-	-	1,647,916	1,647,916
Beneficial interest in perpetual trusts held by others	-	-	4,174,865	-	4,174,865
Total trust holdings	$ 131,086,740	$ 12,215,382	$ 4,174,865	$ 12,998,853	$ 160,475,840
Beneficial interest in assets held by others and pledges receivable	$ -	$ -	$ 3,440,268	$ -	$ 3,440,268

(Continued)

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

	Fair Value Measurements at June 30, 2015 Using				
	Level 1	Level 2	Level 3	Valued At Cost	Total
Assets:					
Investments:					
Common and preferred stocks					
Domestic smallcap	$ 22,916	$ -	$ -	$ -	$ 22,916
Domestic midcap	523,593	-	-	-	523,593
Domestic largecap	3,972,922	-	-	-	3,972,922
Master limited partnerships	5,344,580	-	-	-	5,344,580
Commodity	3,858,032	-	-	-	3,858,032
Other	19,824	-	-	5,212	25,036
Mutual funds					
Domestic smallcap	3,540,209	-	-	-	3,540,209
Domestic midcap	5,036,327	-	-	-	5,036,327
Domestic largecap	10,863,658	-	-	-	10,863,658
International largecap	16,045,123	-	-	-	16,045,123
Hedge fund	-	9,246,010	-	-	9,246,010
U.S. government securities	14,836,036	-	-	-	14,836,036
Corporate bonds	15,810,358	6,424,012	-	-	22,234,370
International bond funds	12,243,809	-	-	-	12,243,809
Real estate	-	-	-	704,043	704,043
Mortgage, note, and contract receivables	-	-	-	538,214	538,214
Other	-	-	-	2,618,409	2,618,409
Total investments	92,117,387	15,670,022	-	3,865,878	111,653,287
Cash and cash equivalents	-	-	-	12,980,916	12,980,916
Total investments and cash equivalents	$ 92,117,387	$ 15,670,022	$ -	$ 16,846,794	$ 124,634,203

(Continued)

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

	Fair Value Measurements at June 30, 2015 Using				
	Level 1	Level 2	Level 3	Valued At Cost	Total
Trust holdings:					
Cash and cash equivalents	$ -	$ -	$ -	$ 14,940,959	$ 14,940,959
Common and preferred stocks					
Domestic smallcap	981,337	-	-	-	981,337
Domestic midcap	5,554,937	-	-	-	5,554,937
Domestic largecap	25,740,905	-	-	-	25,740,905
International largecap	288,904	-	-	-	288,904
Preferred stocks	6,158,375	544,346	-	-	6,702,721
Partnership interests	232,552	523,041	-	-	755,593
Other	-	-	-	149,077	149,077
U.S. government securities	28,204,681	-	-	-	28,204,681
Corporate bonds	-	11,973,562	-	-	11,973,562
Mutual funds					
Balanced funds large	5,685,121	-	-	-	5,685,121
Corporate bond funds	25,902,502	-	-	-	25,902,502
Municipal bond funds	3,624,585	-	-	-	3,624,585
Stock funds small	3,172,904	-	-	-	3,172,904
Stock funds midcap	4,603,421	-	-	-	4,603,421
Stock funds large	16,796,800	-	-	-	16,796,800
Stock funds international large	4,117,614	-	-	-	4,117,614
Limited partnership fund	20,489	-	-	-	20,489
Other	8,423	-	-	-	8,423
Real estate	-	-	-	3,227,590	3,227,590
Mortgage, note and contract receivables	-	-	-	225,787	225,787
Other assets	-	-	-	2,259,357	2,259,357
Beneficial interest in perpetual trusts held by others	-	-	4,494,029	-	4,494,029
Total trust holdings	$ 131,093,550	$ 13,040,949	$ 4,494,029	$ 20,802,770	$ 169,431,298
Beneficial interest in assets held by others and pledges receivable	$ -	$ -	$ 4,264,744	$ 2,023,850	$ 6,288,594

(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, 2016.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Trusts	Beneficial Interest	Total
Beginning balance, June 30, 2014	$ 4,538,794	$ 4,454,438	$ 8,993,232
Change in split interest agreements	(44,765)	70,367	25,602
Contributions	-	740,113	740,113
Settlements	-	(1,000,174)	(1,000,174)
Ending balance, June 30, 2015	4,494,029	4,264,744	8,758,773
Change in split interest agreements	(319,164)	(350,379)	(669,543)
Contributions	-	1,061,021	1,061,021
Settlements	-	(1,535,118)	(1,535,118)
Ending balance, June 30, 2016	$ 4,174,865	$ 3,440,268	$ 7,615,133

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2016 and 2015, are comprised of the following:

	2016	2015
Land and improvements	$ 14,596,120	$ 15,096,119
Building and building equipment	117,353,964	115,711,743
Furniture and equipment	21,480,339	19,832,550
Computer software	11,114,869	10,997,310
Capital lease - computer software and hardware	-	630,890
Construction in process	1,981,792	1,717,245
	166,527,084	163,985,857
Less allowance for depreciation and amortization	114,532,032	109,827,596
Total property, plant, and equipment	$ 51,995,052	$ 54,158,261

(Continued)

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

The provision for depreciation and amortization of property, plant, and equipment amounted to $6,164,278 and $6,505,809 for the years ended June 30, 2016 and 2015, respectively. The Institute's asset retirement obligation liability located within accounts payable and accrued expenses on the statement of financial position is $2,058,978 and $1,949,933 in 2016 and 2015, respectively.

NOTE 7 - OTHER ASSETS

Other assets are comprised at June 30, 2016 and 2015, of the following:

	2016	2015
Intangible assets		
Radio station licenses, net	$ 7,234,740	$ 7,291,620
Wingspread Publishing line, net	64,018	256,074
	7,298,758	7,547,694
Prepaid expenses	2,508,680	2,354,708
Other	364,829	377,410
Total other assets	$ 10,172,267	$ 10,279,812

Amortization expense related to the radio station licenses and Wingspread Publishing amounted to $522,467 and $518,715 while accumulated amortization was $6,638,035 and $6,115,568 for the years ending June 30, 2016 and 2015, 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 $407,000 through June 30, 2017, 342,000 through June 30, 2018 and $342,000 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 Board of Trustees in May 2015 to freeze the plan and transition employees participating in the plan to the defined-contribution plan as of January 1, 2016. Employees who were part of this plan retain their pension benefits earned through December 31, 2015, but future retirement earnings will come from the defined-contribution plan. This transition was completed January 1, 2016 as approved.

The defined-contribution plan started January 1, 2006, with employees hired after this date only eligible to participate in the defined contribution plan. Institute contributions to the defined contribution plan totaled $2,264,255 and $1,854,907 for the years ended June 30, 2016 and 2015, respectively.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

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. This plan was amended by the Board of Trustees in May 2015. Through December 31, 2015, Moody continued to provide a supplemental health plan covering a portion of expenses above those covered by Medicare. Beginning on January 1, 2016, Moody began providing covered retirees an annual stipend through a health reimbursement account (HRA) so they can purchase supplemental Medicare coverage through a private exchange.

The following tables summarize the changes in the projected benefit obligation, plan assets, and funded status during 2016 and 2015:

	Pension Plan		Postretirement Plan	
	2016	2015	2016	2015
Change in projected benefit obligation				
Projected benefit obligation beginning of year	$ 83,365,286	$ 79,909,520	$ 16,439,016	$ 31,628,602
Service costs	-	915,799	198,562	489,425
Interest cost	3,428,632	3,245,665	666,181	1,284,286
Amendments	-	(3,895,013)	-	(16,117,687)
Actuarial loss	6,976,054	6,427,276	521,640	232,792
Benefits paid	(3,490,894)	(3,237,961)	(1,082,189)	(1,078,402)
Projected benefit obligation, end of year	$ 90,279,078	$ 83,365,286	$ 16,743,210	$ 16,439,016
Change in plan assets				
Fair value of plan assets, beginning of year	$ 63,523,800	$ 64,403,869	$ -	$ -
Actual return on plan assets	1,856,647	(822,108)	-	-
Employer contribution	3,400,000	3,180,000	1,082,189	1,078,402
Benefits paid	(3,490,894)	(3,237,961)	(1,082,189)	(1,078,402)
Fair value of plan assets, end of year	$ 65,289,553	$ 63,523,800	$ -	$ -
Funded status - liability recognized in the statement of financial position	$ (24,989,525)	$ (19,841,486)	$ (16,743,210)	$ (16,439,016)

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.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

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.

The accumulated benefit obligation for the pension plan was $90,279,078 and $83,365,286 for the years ended June 30, 2016 and 2015, respectively. The accumulated benefit obligation for the Postretirement Plan was $16,743,210 and $16,439,016 for the years ended June 30, 2016 and 2015, respectively.

Net periodic benefit cost is composed of the following during 2016 and 2015:

	Pension Plan		Postretirement Plan	
	2016	2015	2016	2015
Service cost	$ -	$ 915,799	$ 198,562	$ 489,425
Interest cost	3,428,632	3,245,665	666,181	1,284,286
Expected return on plan assets	(4,409,483)	(4,500,520)	-	-
Amortization of unrecognized prior service cost	-	191,420	(3,099,142)	(112,726)
Amortization of net loss	2,653,515	2,091,899	40,000	-
Net periodic benefit cost	$ 1,672,664	$ 1,944,263	$ (2,194,399)	$ 1,660,985
One-time curtailment expense		$ 467,052		

Amounts recognized as non-operating activities during 2016 and 2015, are as follows:

	Pension Plan		Postretirement Plan	
	2016	2015	2016	2015
Prior service costs	$ -	$ (658,472)	$ 3,099,142	$ 112,726
Net (gain) due to plan admendment	-	(3,895,013)	-	(16,117,687)
Actuarial loss and changes in plan assets	9,528,890	11,749,904	521,640	232,792
Amortization of net (loss) or gain	(2,653,515)	(2,091,899)	(40,000)	
Other changes in funded status	(1,727,336)	(768,685)	(3,884,976)	582,583
	$ 5,148,039	$ 4,335,835	$ (304,194)	$ (15,189,586)

Amounts already recorded in unrestricted net assets that have not yet been recognized as a component of net periodic benefit costs for the pension plan was $42,429,003 and $35,553,628 as of June 30, 2016 and 2015, respectively. Amounts already recorded in unrestricted net assets that have not yet been recognized as a component of net periodic benefit costs for the postretirement plan was $10,698,281 and $14,279,063 as of June 30, 2016 and 2015, respectively. These amounts have already been recognized in the statements of financial position and statements of activities.

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

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	
	2016	2015	2016	2015
Discount rate	3.40%	4.20%	3.40%	4.20%
Rate of compensation increase	N/A	2.50%	-	-

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

	Pension Plan		Postretirement Plan	
	2016	2015	2016	2015
Discount rate	4.20%	4.15%	4.20%	4.15%
Expected long-term return plan assets	7.00%	7.00%	-	-
Rate of compensation increase	-	2.50%	-	-

The fair value of the Institute's Pension Plan assets at June 30, 2016 and 2015, by asset class is as follows:

	2016			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Common collective trusts				
Domestic equity mutual funds	$ -	$ 14,830,734	$ -	$ 14,830,734
Domestic fixed income	-	20,489,014	-	20,489,014
Domestic government fixed income	-	5,117,321	-	5,117,321
International equities	-	14,385,625	-	14,385,625
Mutual funds				
US real estate	4,601,311	-	-	4,601,311
Commodity fund	4,133,688	-	-	4,133,688
Short-term investments				
High-grade money market instruments with short maturities	-	1,731,860	-	1,731,860
	$ 8,734,999	$ 56,554,554	$ -	$ 65,289,553

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

	2015			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Common collective trusts				
Domestic equity mutual funds	$ -	$ 14,936,878	$ -	$ 14,936,878
Domestic fixed income	-	19,589,906	-	19,589,906
Domestic government fixed income	-	5,075,034	-	5,075,034
International equities	-	14,426,039	-	14,426,039
Mutual funds				
US real estate	4,313,008	-	-	4,313,008
Commodity fund	3,923,875	-	-	3,923,875
Short-term investments				
High-grade money market instruments with short maturities	-	1,259,060	-	1,259,060
	$ 8,236,883	$ 55,286,917	$ -	$ 63,523,800

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) (income and market approach). 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, 2016 and 2015 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 $3,400,000 and $3,180,000 to the Pension Plan in 2016 and 2015, respectively. Based on the advice of its consulting actuary, the Institute's employer contributions expected to be paid in fiscal year 2017 total approximately $2,400,000.

(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
2017	$ 3,735,084	$ 951,639
2018	3,859,415	970,716
2019	3,983,401	983,011
2020	4,124,761	986,592
2021	4,271,858	996,897
Years 2022-2025	23,302,526	4,770,689

The annual increase in healthcare costs, impacting pre-65 retiree participants, is assumed to be 7.3% initially decreasing gradually to 4.3% in 2074. The healthcare costs for all other retirees is subject to the annual stipend and is limited to the consumer price index, not to exceed 2%. 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 2016	$ 104,461	$ (85,044)
Effect on postretirement benefit obligation at June 30, 2016	2,070,713	(1,711,326)

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, 2016 and 2015:

Temporarily Restricted

	June 30,	
Temporarily Restricted	2016	2015
Purpose restrictions		
Scholarships, grants, and student loans	$ 10,823,315	$ 12,258,764
Capital Campaign	11,414,217	11,277,877
Unallocated operating endowment	1,782,981	2,980,518
Broadcast construction/renovation projects	198,549	645,532
Miscellaneous projects	1,275,617	1,512,341
Time restrictions		
Beneficial interest in term trusts held by others	3,440,268	4,264,744
Irrevocable trust agreements for which the Institute is trustee	29,565,448	33,485,850
	$ 58,500,395	$ 66,425,626

(Continued)

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

Permanently Restricted

	June 30,	
Permanently Restricted	2016	2015
Endowments held by the Institute		
Student aid	$ 16,651,050	$ 16,207,960
General purpose	4,903,560	4,903,560
Building maintenance	3,804,030	3,804,030
Education ministries	8,148,192	8,128,008
Broadcast ministries	107,800	107,500
Held in MBI managed Trusts	590,121	594,674
Endowments held by others on behalf of the Institute		
Beneficial interest in perpetual trusts held by others	4,174,865	4,494,029
	$ 38,379,618	$ 38,239,761

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	2016	2015
Purpose restriction accomplished		
Moody capital projects	$ 880,860	$ 1,936,411
Broadcast construction/renovation projects	503,631	661,563
Student grants and scholarships	1,920,265	1,782,530
Educational purposes	826,661	998,358
Miscellaneous projects	44,986	93,006
	4,176,403	5,471,868
Time restrictions expired		
Termination of irrevocable trust agreements	10,163,562	14,231,968
Termination of charitable gift annuities	1,253,243	1,387,061
	11,416,805	15,619,029
	$ 15,593,208	$ 21,090,897

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.

(Continued)

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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$ 5,209,040	$ 38,379,618	$ 43,588,658
Board-designated funds	1,675,917	-	-	1,675,917
Total funds	$ 1,675,917	$ 5,209,040	$ 38,379,618	$ 45,264,575

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$ 7,966,738	$ 38,239,761	$ 46,206,499
Board-designated funds	1,700,405	-	-	1,700,405
Total funds	$ 1,700,405	$ 7,966,738	$ 38,239,761	$ 47,906,904

(Continued)

NOTE 10 - ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for years ended June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2014	$ 1,722,852	$ 10,150,698	$ 37,546,512	$ 49,420,062
Investment return:				
Investment income, net of fees	742,593	618,295	-	1,360,888
Realized/unrealized gain (loss)	242,446	(2,070,676)	-	(1,828,230)
Change in split interest trusts held by others	-	-	(31,482)	(31,482)
New gifts	-	9,701	724,731	734,432
Appropriation for expenditure	(1,007,486)	(741,280)	-	(1,748,766)
Net assets, June 30, 2015	1,700,405	7,966,738	38,239,761	47,906,904
Investment return:				
Investment income, net of fees	679,294	566,382	-	1,245,676
Realized/unrealized gain (loss)	212,503	(2,392,266)	-	(2,179,763)
Change in split interest trusts held by others	-	-	(323,717)	(323,717)
New gifts	-	14,306	463,574	477,880
Appropriation for expenditure	(916,285)	(946,120)	-	(1,862,405)
Net assets, June 30, 2016	$ 1,675,917	$ 5,209,040	$ 38,379,618	$ 45,264,575

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 2016 and 2015, 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 deficiencies as of June 30, 2016 and 2015, respectively. 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, 2016 and 2015.

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 $2,118,000 and $1,950,000 for 2016 and 2015, respectively. The Institute also had capital lease agreements related to computer software and hardware. These lease agreements entered into on October 26, 2011 was 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 $320 and $4,010 for interest on the capital lease in the fiscal years ending June 30, 2016 and 2015, respectively. Future minimum commitments for operating leases and maintenance agreements with non-cancelable terms in excess of one year are as follows at June 30:

	Operating Amount
2017	$ 1,795,032
2018	1,011,105
2019	902,731
2020	465,572
2021	271,953
Thereafter	1,182,041
Total minimum operating lease payments	$ 5,628,434

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 $338,600 and $340,200 has been recorded by the Institute as of June 30, 2016 and June 30, 2015, respectively, for estimated claims incurred but not reported on that date. Group health insurance expense for the fiscal years ended June 30, 2016 and 2015, totaled approximately $8,000,000 and $7,900,000, 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 $4.5 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, 2016 and 2015

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
ASSETS					
Cash and cash equivalents	$ 4,174,442	$ 4,868,507	$ 430,480	$ 9,473,429	$ 12,980,916
Receivables					
Beneficial interest in term trusts held by others and pledges receivable	-	4,349,537	-	4,349,537	6,288,594
Other, net	5,328,249	974,961	-	6,303,210	6,640,130
Inventories, net	3,637,857	-	-	3,637,857	4,287,100
Investments	25,354,765	55,458,873	33,188,751	114,002,389	111,653,287
Trust holdings	-	155,376,846	5,098,994	160,475,840	169,431,298
Property, plant, and equipment, net	51,995,052	-	-	51,995,052	54,158,261
Due from (to) other funds	(5,665,000)	5,665,000	-	-	-
Other	10,172,267	-	-	10,172,267	10,279,812
Total assets	$ 94,997,632	$ 226,693,724	$ 38,718,225	$ 360,409,581	$ 375,719,398
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 11,019,433	$ 4,500	$ 4,600	$ 11,028,533	$ 10,925,270
Accrued pension and postretirement health benefits	41,732,735	-	-	41,732,735	36,280,502
Annuity contract actuarial reserve	-	42,346,558	-	42,346,558	44,453,863
Trust obligations	-	125,811,398	334,007	126,145,405	130,856,744
Other	419,895	30,873	-	450,768	339,950
Total liabilities	53,172,063	168,193,329	338,607	221,703,999	222,856,329
Net assets					
Unrestricted	41,825,569	-	-	41,825,569	48,197,682
Temporarily restricted	-	58,500,395	-	58,500,395	66,425,626
Permanently restricted	-	-	38,379,618	38,379,618	38,239,761
Total net assets	41,825,569	58,500,395	38,379,618	138,705,582	152,863,069
Total liabilities and net assets	$ 94,997,632	$ 226,693,724	$ 38,718,225	$ 360,409,581	$ 375,719,398

See accompanying independent auditor's report.

THE MOODY BIBLE INSTITUTE OF CHICAGO

TRUSTEES AND OFFICERS
As of June 30, 2016
(Unaudited)