THE MOODY BIBLE INSTITUTE OF CHICAGO

FINANCIAL STATEMENTS
June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Moody Bible Institute of Chicago

We have audited the accompanying statements of financial position of The Moody Bible Institute of Chicago (the Institute) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moody Bible Institute of Chicago as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 2012 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying supplementary information on the statement of financial position, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audits of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. The information included in the accompanying listing of Trustees and Officers is presented only for supplementary analysis purposes. 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

Crowe Horwath LLP

Chicago, Illinois
October 30, 2012

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 8,846,731	$ 7,696,684
Receivables		
Beneficial interest in term trusts held by others and pledges receivable	7,289,627	6,579,405
Other (less allowance for uncollectible amounts $562,000 in 2012 and $208,000 in 2011)	5,542,585	5,212,356
Inventories	4,355,098	4,836,720
Investments	102,033,420	96,558,397
Trust holdings	160,957,640	157,557,723
Property, plant, and equipment, net	54,685,230	55,244,588
Other	10,805,776	11,320,633
Total assets	$ 354,516,107	$ 345,006,506
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,898,378	$ 8,965,777
Accrued pension and postretirement health benefits	50,940,740	40,655,876
Annuity contract actuarial reserve	46,101,746	46,762,529
Trust obligations	127,726,776	123,997,215
Other	507,677	508,341
Total liabilities	234,175,317	220,889,738
Net assets		
Unrestricted	34,907,086	49,710,623
Temporarily restricted	53,028,861	44,853,669
Permanently restricted	32,404,843	29,552,476
Total net assets	120,340,790	124,116,768
Total liabilities and net assets	$ 354,516,107	$ 345,006,506

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support								
Contributions	$ 29,441,504	$ 17,106,713	$ -	$ 46,548,217	$ 31,431,335	$ 7,391,594	$ -	$ 38,822,929
Student fees and tuition	28,519,157	-	-	28,519,157	26,066,934	-	-	26,066,934
Sales of books and publications	17,380,748	-	-	17,380,748	16,837,218	-	-	16,837,218
Investment return designated for current operations	1,757,897	3,357,193	-	5,115,090	1,750,350	3,165,366	-	4,915,716
Other	9,456,620	916	-	9,457,536	8,911,083	532,707	-	9,443,790
Net assets released from restrictions	10,389,170	(10,389,170)	-	-	11,200,871	(11,200,871)	-	-
Total revenue, gains, and other support	96,945,096	10,075,652	-	107,020,748	96,197,791	(111,204)	-	96,086,587
Expenses								
Program								
Public ministries	38,048,802	-	-	38,048,802	36,669,889	-	-	36,669,889
Education	33,309,129	-	-	33,309,129	31,883,654	-	-	31,883,654
Student services	13,871,383	-	-	13,871,383	13,970,247	-	-	13,970,247
Total program expenses	85,229,314	-	-	85,229,314	82,523,790	-	-	82,523,790
Fund raising	8,586,080	-	-	8,586,080	8,255,005	-	-	8,255,005
Management and general	3,465,873	-	-	3,465,873	4,233,163	-	-	4,233,163
Total expenses	97,281,267	-	-	97,281,267	95,011,958	-	-	95,011,958
Changes in net assets from operating activities	(336,171)	10,075,652	-	9,739,481	1,185,833	(111,204)	-	1,074,629

(Continued)

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2012 and 2011

	2012				2011			
	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	$ (913,711)	$ (3,427,196)	$ -	$ (4,340,907)	$ 1,315,438	$ 7,506,447	$ -	$ 8,821,885
Permanently restricted contributions	-	-	2,832,055	2,832,055	-	-	627,146	627,146
Changes in present value of split-interest agreements	(2,190,206)	1,526,736	20,312	(643,158)	5,099,897	(437,114)	378,074	5,040,857
Change in estimate of asset retirement obligation (asbestos)	(100,418)	-	-	(100,418)	(94,511)	-	-	(94,511)
Change in value of accrued pension obligation	(13,524,510)	-	-	(13,524,510)	7,982,432	-	-	7,982,432
Change in value of postretirement health benefits obligation	2,261,479	-	-	2,261,479	(215,871)	-	-	(215,871)
Insurance claim reimbursement	-	-	-	-	1,670,954	-	-	1,670,954
Changes in net assets	(14,803,537)	8,175,192	2,852,367	(3,775,978)	16,944,172	6,958,129	1,005,220	24,907,521
Net assets at beginning of year	49,710,623	44,853,669	29,552,476	124,116,768	32,766,451	37,895,540	28,547,256	99,209,247
Net assets at end of year	$ 34,907,086	$ 53,028,861	$ 32,404,843	$ 120,340,790	$ 49,710,623	$ 44,853,669	$ 29,552,476	$ 124,116,768

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ (3,775,978)	$ 24,907,521
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	4,959,432	4,895,340
(Gain) loss on sales of property, plan, and equipment	(210,831)	58,485
Net realized and unrealized loss (gain) on investments	2,431,613	(10,889,767)
Contributions restricted for long-term investment	(2,832,055)	(627,146)
Increase in pledges receivables	(710,222)	(1,241,995)
Increase in other receivables	(330,229)	(284,191)
Decrease (increase) in inventories	481,622	(640,909)
Increase (decrease) in accounts payable and accrued expenses	(780,710)	1,490,102
(Decrease) increase in accrued pension and postretirement health benefits	10,284,864	(7,032,907)
Decrease in annuity contract actuarial reserve	(660,783)	(1,169,938)
Increase in other assets and liabilities	514,193	191,616
Net cash from operating activities	9,370,916	9,656,211
Cash flows from investing activities		
Purchase of investments	(45,389,043)	(31,917,774)
Proceeds from sales or maturities of investments	37,482,407	29,843,092
Purchase of property, plant, and equipment	(3,706,507)	(2,505,903)
Proceeds from sales of property, plant, and equipment	230,575	1,100
Decrease in trust holdings	(3,399,917)	(10,826,467)
Increase in trust obligations	3,729,561	9,326,436
Net cash from investing activities	(11,052,924)	(6,079,516)
Cash flows from financing activities		
Contributions to endowment funds	2,832,055	627,146
Net cash from financing activities	2,832,055	627,146
Increase in cash and cash equivalents	1,150,047	4,203,841
Cash and cash equivalents at beginning of year	7,696,684	3,492,843
Cash and cash equivalents at end of year	$ 8,846,731	$ 7,696,684

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. Net assets, revenue, expenses, and gains and losses are classified based on 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.

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 2012 and 2011) and other investments (6.0% for fiscal years 2012 and 2011). 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: Operating results 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 MBI 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).

Investments: Investments in marketable equity and debt securities are reported at fair value. The fair value of such investments is based upon quoted market prices. Real estate held for investment is stated at lower of cost or fair value based upon periodic appraisals.

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and On-Line Courses: Radio station licenses are recorded as other assets and are being amortized on a straight-line basis over 40 years. Original costs incurred to create and deliver content for the Distance Learning Center on-line courses were previously capitalized and then amortized based on revenue recognized compared to revenue projections limited to an overall life of eight years. These costs are now being expensed.

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 2011 and 2012 ranged from 2.68% to 6.0%. The liability on pooled income funds is calculated based on the fair value of the assets 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 1.2% to 6.2%. Actuarial tables are used to estimate the years until distribution in all cases mentioned above.

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 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, 2012 or 2011.

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, 2009. The Institute does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2012. Management has performed their analysis through October 30, 2012, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

At June 30, 2012 and 2011, the carrying value of investments is comprised of the following:

	2012	2011
Common and preferred stocks	$ 47,606,205	$ 48,991,969
U.S. government securities	13,417,082	14,037,161
Corporate bonds	36,060,447	28,503,116
Real estate	1,793,732	1,793,732
Mortgage, note, and contract receivables	713,789	927,806
Other	2,442,165	2,304,613
	$ 102,033,420	$ 96,558,397

Investments are allocated by fund as follows:

	2012	2011
Operating funds	$ 19,794,433	$ 22,005,485
Annuity fund	42,276,231	43,695,301
Other temporarily restricted funds	10,168,248	4,106,498
Endowment fund	29,794,508	26,751,113
Total carrying value	$ 102,033,420	$ 96,558,397

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The annuity fund investments help to fund the annuity actuarial reserve liability of $46,101,746 and $46,762,529 at June 30, 2012 and 2011, respectively.

Investment return for the years ended June 30, 2012 and 2011, is as follows:

	Year Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 1,425,441	$ 2,040,104	$ -	$ 3,465,545
Realized and change in unrealized loss, net	(446,820)	(1,984,793)	-	(2,431,613)
Investment expense	(134,435)	(125,314)	-	(259,749)
Total investment return	844,186	(70,003)	-	774,183
Less amounts designated for current operations	1,757,897	3,357,193	-	5,115,090
Investment return in excess of amounts designated for current operations reinvested	$ (913,711)	$ (3,427,196)	$ -	$ (4,340,907)

	Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 1,205,516	$ 1,868,630	$ -	$ 3,074,146
Realized and change in unrealized gain, net	1,966,681	8,923,086	-	10,889,767
Investment expense	(106,409)	(119,903)	-	(226,312)
Total investment return	3,065,788	10,671,813	-	13,737,601
Less amounts designated for current operations	1,750,350	3,165,366	-	4,915,716
Investment return in excess of amounts designated for current operations reinvested	$ 1,315,438	$ 7,506,447	$ -	$ 8,821,885

The Institute gave 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 and 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 at fair value and the corresponding liabilities at June 30, 2012 and 2011, are comprised of the following:

	2012	2011
Trust assets:		
Cash and cash equivalents	$ 9,626,824	$ 10,627,722
Common and preferred stocks	35,767,052	36,487,477
U.S. government securities	37,957,965	41,833,017
Corporate bonds	16,289,189	15,225,702
Mutual funds	51,403,904	42,500,309
Real estate	2,630,312	3,484,998
Mortgage, note and contract receivables	476,815	508,408
Other assets	3,015,225	3,110,715
Beneficial interest in perpetual trusts held by others	3,790,354	3,779,375
	$ 160,957,640	$ 157,557,723

	2012	2011
Trust obligations:		
Revocable trusts	$ 79,235,228	$ 74,034,226
Irrevocable trusts	32,079,018	32,623,856
Pooled income funds	6,987,843	6,722,762
Due to other remaindermen	9,424,687	10,616,371
	$ 127,726,776	$ 123,997,215

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS

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.

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.

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 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 remaindermen other than the Institute. The carrying amount reported in the statement of financial position approximates its fair value.

The Financial Accounting Standards Board (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 (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 some in 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).

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, 2012. This valuation method has been estimated to represent the present value of future distributed income. (Level 3 inputs).

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS (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, 2012 Using				
	Level 1	Level 2	Level 3	Investments Valued At Cost	Total
Assets:					
Investments:					
Common and preferred stocks					
Domestic smallcap	$ 26,692	$ -	$ -	$ -	$ 26,692
Domestic midcap	568,459	-	-	-	568,459
Domestic largecap	2,539,658	-	-	-	2,539,658
International largecap	-	-	-	-	-
Commodity	4,677,054	511,138	-	-	5,188,192
Other	-	-	-	5,212	5,212
Mutual funds					
Domestic smallcap	4,507,071	-	-	-	4,507,071
Domestic midcap	6,601,219	-	-	-	6,601,219
Domestic largecap	12,335,280	-	-	-	12,335,280
International largecap	15,834,422	-	-	-	15,834,422
U.S. government securities	13,417,082	-	-	-	13,417,082
Corporate bonds	21,202,375	6,000,129	-	-	27,202,504
International bond funds	8,857,943	-	-	-	8,857,943
Real estate	-	-	-	1,793,732	1,793,732
Mortgage, note, and contract receivables	-	-	-	713,789	713,789
Other	-	-	37,187	2,404,978	2,442,165
Total investments	$ 90,567,255	$ 6,511,267	$ 37,187	$ 4,917,711	$ 102,033,420

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS (Continued)

	Fair Value Measurements at June 30, 2012 Using					
	Level 1	Level 2	Level 3	Cash and Cash Equivalents	Investments Valued At Cost	Total
Trusts:						
Cash and cash equivalents	$ 591,713	$ -	$ -	$ 9,035,111	$ -	$ 9,626,824
Common and preferred stocks						
Domestic smallcap	517,990	-	-	-	-	517,990
Domestic midcap	4,679,280	-	-	-	-	4,679,280
Domestic largecap	25,809,096	-	-	-	-	25,809,096
International largecap	227,100	-	-	-	-	227,100
Preferred stocks	3,035,290	687,385	-	-	-	3,722,675
Partnership interests	356,679	353,690	-	-	-	710,369
Other	12,897	170	-	-	87,475	100,542
U.S. government securities	37,957,965	-	-	-	-	37,957,965
Corporate bonds	-	16,289,189	-	-	-	16,289,189
Mutual funds						
Balanced funds large	4,624,932	-	-	-	-	4,624,932
Corporate bond funds	25,921,500	-	-	-	-	25,921,500
Municipal bond funds	4,274,162	-	-	-	-	4,274,162
Stock funds small	1,684,899	-	-	-	-	1,684,899
Stock funds midcap	2,497,302	-	-	-	-	2,497,302
Stock funds large	10,016,641	-	-	-	-	10,016,641
Stock funds international large	2,277,799	-	-	-	-	2,277,799
Taxable money market funds	28,514	-	-	-	-	28,514
Other	78,154	-	-	-	1	78,155
Real estate	-	-	-	-	2,630,312	2,630,312
Mortgage, note and contract receivables	-	-	-	-	476,815	476,815
Other assets	-	-	-	-	3,015,225	3,015,225
Beneficial interest in perpetual trusts held by others	-	-	3,790,354	-	-	3,790,354
Total trusts	$ 124,591,913	$ 17,330,434	$ 3,790,354	$ 9,035,111	$ 6,209,828	$ 160,957,640
Beneficial interest in assets held by others and pledges receivable	$ -	$ -	$ 4,950,874	$ -	$ 2,338,753	$ 7,289,627

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS (Continued)

	Fair Value Measurements at June 30, 2011 Using				
	Level 1	Level 2	Level 3	Investments Valued At Cost	Total
Assets:					
Investments:					
Common and preferred stocks					
Domestic smallcap	$ 3,882,587	$ -	$ -	$ -	$ 3,882,587
Domestic midcap	7,692,566	-	-	-	7,692,566
Domestic largecap	14,468,006	-	-	-	14,468,006
International largecap	15,056,093	-	-	-	15,056,093
Commodity	3,517,347	574,856	-	-	4,092,203
Other	-	-	-	5,213	5,213
Mutual funds					
Domestic midcap	520,921	-	-	-	520,921
International largecap	3,274,380	-	-	-	3,274,380
U.S. government securities	14,037,161	-	-	-	14,037,161
Corporate bonds	21,546,661	6,956,455	-	-	28,503,116
Real estate	-	-	-	1,793,732	1,793,732
Mortgage, note, and contract receivables	-	-	-	927,806	927,806
Other	-	-	42,892	2,261,721	2,304,613
Total investments	$ 83,995,722	$ 7,531,311	$ 42,892	$ 4,988,472	$ 96,558,397

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS (Continued)

	Fair Value Measurements at June 30, 2011 Using					
	Level 1	Level 2	Level 3	Cash and Cash Equivalents	Investments Valued At Cost	Total
Trusts:						
Cash and cash equivalents	$ 352,743	$ -	$ -	$ 10,274,979	$ -	$ 10,627,722
Common and preferred stocks						
Domestic smallcap	697,481	-	-	-	-	697,481
Domestic midcap	5,883,025	-	-	-	-	5,883,025
Domestic largecap	24,093,018	-	-	-	-	24,093,018
International largecap	245,176	-	-	-	-	245,176
Preferred stocks	3,997,142	728,418	-	-	-	4,725,560
Partnership interests	329,807	408,759	-	-	-	738,566
Other	16,928	247	-	-	87,476	104,651
U.S. government securities	41,833,017	-	-	-	-	41,833,017
Corporate bonds	-	15,225,702	-	-	-	15,225,702
Mutual funds						
Balanced funds large	2,385,517	-	-	-	-	2,385,517
Corporate bond funds	17,378,469	-	-	-	-	17,378,469
Municipal bond funds	4,577,705	-	-	-	-	4,577,705
Government bond funds	30,725	-	-	-	-	30,725
Stock funds small	2,006,070	-	-	-	-	2,006,070
Stock funds midcap	2,089,918	-	-	-	-	2,089,918
Stock funds large	11,085,776	-	-	-	-	11,085,776
Stock funds international large	2,798,200	-	-	-	-	2,798,200
Taxable money market funds	-	-	-	70,460	-	70,460
Other	77,468	-	-	-	1	77,469
Real estate	-	-	-	-	3,484,998	3,484,998
Mortgage, note and contract receivables	-	-	-	-	508,408	508,408
Other assets	-	-	-	21,661	3,089,054	3,110,715
Beneficial interest in perpetual trusts held by others	-	-	3,779,375	-	-	3,779,375
Total trusts	$ 119,878,185	$ 16,363,126	$ 3,779,375	$ 10,367,100	$ 7,169,937	$ 157,557,723
Beneficial interest in assets held by others and pledges receivable	$ -	$ -	$ 5,958,750	$ -	$ 620,655	$ 6,579,405

(Continued)

NOTE 5 - FAIR VALUE OF ASSETS (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, 2012:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Trusts	Beneficial Interest	Total
Beginning balance, July 1, 2010	$ 3,446,020	$ 4,856,961	$ 8,783,430
Change in split interest agreements	333,355	96,647	430,002
Contributions	-	1,428,519	2,049,174
Settlements	-	(423,377)	(903,826)
Beginning balance, June 30, 2011	3,779,375	5,958,750	9,738,125
Change in split interest agreements	(181,417)	100,171	(81,246)
Contributions	192,396	94,136	286,532
Settlements	-	(1,202,183)	(1,202,183)
Ending balance, June 30, 2012	$ 3,790,354	$ 4,950,874	$ 8,741,228

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2012 and 2011, are comprised of the following:

	2012	2011
Land and improvements	$ 15,540,205	$ 15,238,407
Building and building equipment	111,196,997	109,651,611
Furniture and equipment	14,398,793	14,056,274
Computer software	8,688,286	8,180,803
Capital lease - computer software and hardware	630,890	-
Construction in process	1,382,817	774,597
	151,837,988	147,901,692
Less allowance for depreciation and amortization	97,152,758	92,657,104
Total property, plant, and equipment	$ 54,685,230	$ 55,244,588

The provision for depreciation of property, plant, and equipment amounted to $4,959,432 and $4,895,340 for the years ended June 30, 2012 and 2011, respectively. Additionally, there is $82,421 of expenditures in construction in process that are also included in accounts payable at June 30, 2012. These amounts have been removed from the decrease in accounts payable and purchase of property, plant and equipment lines in the statement of cash flows.

The Institute's asset retirement obligation liability is $1,707,106 and $1,606,688 in 2012 and 2011, respectively.

NOTE 7 - OTHER ASSETS

Other assets are comprised at June 30, 2012 and 2011, of the following:

	2012	2011
Intangible assets		
Radio station licenses, net	$ 8,260,313	$ 8,587,208
Distance Learning online course development, net	81,000	200,623
	8,341,313	8,787,831
Prepaid expenses	2,120,757	2,182,850
Other	343,706	349,952
Total other assets	$ 10,805,776	$ 11,320,633

Annual amortization expense related to the radio station licenses is estimated to be approximately $327,000 for the next five years. Annual amortization expense related to the distance learning online course development is estimated to be approximately $81,000 for the next year.

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 $1,364,993 and $1,307,093 for the years ended June 30, 2012 and 2011, 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 5 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 2012 and 2011:

	Pension Plan		Postretirement Plan	
	2012	2011	2012	2011
Change in projected benefit obligation				
Projected benefit obligation beginning of year	$ 61,824,349	$ 60,602,325	$ 28,394,040	$ 27,546,937
Service costs	787,401	853,071	473,604	476,851
Interest cost	3,319,016	3,255,686	1,524,925	1,479,405
Actuarial (gain) or loss	12,399,507	(110,684)	(2,374,205)	103,145
Benefits paid	(2,892,910)	(2,776,049)	(1,111,416)	(1,212,298)
Projected benefit obligation, end of year	$ 75,437,363	$ 61,824,349	$ 26,906,948	$ 28,394,040
Change in plan assets				
Fair value of plan assets, beginning of year	$ 49,562,513	$ 40,460,479	$ -	$ -
Actual return on plan assets	1,058,968	8,728,083	-	-
Employer contribution	3,675,000	3,150,000	1,111,416	1,212,298
Benefits paid	(2,892,910)	(2,776,049)	(1,111,416)	(1,212,298)
Fair value of plan assets, end of year	$ 51,403,571	$ 49,562,513	$ -	$ -
Funded status - liability recognized in the statement of financial position	$(24,033,792)	$(12,261,836)	$(26,906,948)	$(28,394,040)

While the Pension Plan is underfunded in that the fair value of plan assets at June 30 was 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 $71,085,692 and $58,620,307 for the years ended June 30, 2012 and 2011, respectively. The accumulated benefit obligation for the Postretirement Plan was $26,906,948 and $28,394,040 for the years ended June 30, 2012 and 2011, respectively.

Net periodic benefit cost, which is reported as an operating expense of the Institute, is composed of the following during 2012 and 2011:

	Pension Plan		Postretirement Plan	
	2012	2011	2012	2011
Service cost	$ 787,401	$ 853,071	$ 473,604	$ 476,851
Interest cost	3,319,016	3,255,686	1,524,925	1,479,405
Expected return on plan assets	(3,741,293)	(3,041,433)	-	-
Amortization of unrecognized prior service cost	191,420	191,420	(112,726)	(112,726)
Amortization of net loss	1,365,902	1,993,678	-	-
Net periodic benefit cost	$ 1,922,446	$ 3,252,422	$ 1,885,803	$ 1,843,530

Amounts recognized as non-operating activities during 2012 and 2011, are as follows:

	Pension Plan		Postretirement Plan	
	2012	2011	2012	2011
Prior service costs	$ (191,420)	$ (191,420)	$ 112,726	$ 112,726
Actuarial loss (gain)	13,715,930	(7,791,012)	(2,374,205)	103,145
	$ 13,524,510	$ (7,982,432)	$ (2,261,479)	$ 215,871

Amounts to be recognized as non-operating activities during 2013 are as follows:

	2013	
	Pension Plan	Postretirement Plan
Prior services cost	$ 191,420	$ 112,726
Actuarial gain (loss)	(2,453,374)	-

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	
	2012	2011	2012	2011
Discount rate	4.25%	5.50%	4.25%	5.50%
Rate of compensation increase	-%*	-%*	-	-

*2.50% for 2012, 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	
	2012	2011	2012	2011
Discount rate	5.50%	5.50%	5.50%	5.50%
Expected long-term return plan assets	7.50%	7.50%	-	-
Rate of compensation increase	2.5%*	-%	-	-

*3.0% for years thereafter.

The fair value of the Institute's Pension Plan assets at June 30, 2012 and 2011, by asset class is as follows:

	2012			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Common collective trusts				
Domestic equity mutual funds	$ -	$ 12,541,624	$ -	$ 12,541,624
Domestic fixed income	-	15,606,036	-	15,606,036
Domestic government fixed income	-	4,022,405	-	4,022,405
International equities	-	10,377,036	-	10,377,036
International fixed income	-	-	-	-
Mutual funds				
US real estate	3,135,554	-	-	3,135,554
Commodity fund	4,303,022	-	-	4,303,022
Short-term investments				
High-grade money market instruments with short maturities	-	1,417,894	-	1,417,894
	$ 7,438,576	$ 43,964,995	$ -	$ 51,403,571

(Continued)

NOTE 8 - BENEFIT PLANS (Continued)

	2011			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Common collective trusts				
Domestic equity mutual funds	$ -	$ 10,883,978	$ -	$ 10,883,978
Domestic fixed income	-	17,290,792	-	17,290,792
International equities	-	9,759,505	-	9,759,505
International fixed income	-	1,528,881	-	1,528,881
	-			
Mutual funds				
US real estate	4,365,841	-	-	4,365,841
Commodity fund	5,109,917	-	-	5,109,917
Short-term investments				
High-grade money market instruments with short maturities	-	623,599	-	623,599
	$ 9,475,758	$ 40,086,755	$ -	$ 49,562,513

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

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.

The Investment Committee voted in February of 2010, to change the target allocation of pension plan assets over the course of several months. The target allocation of pension plan assets for the years ended June 30, 2012 and 2011 was 59% and 61% for equity securities; 39% and 37% for debt securities; 2% 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 $3,675,000 and $3,150,000 to the Pension Plan in 2012 and 2011, respectively. Based on the advice of its consulting actuary, the Institute's employer contributions expected to be paid in fiscal year 2013 total approximately $3,900,000.

(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
2013	$ 3,077,424	$ 1,187,823
2014	3,116,509	1,231,803
2015	3,214,053	1,253,320
2016	3,337,241	1,254,867
2017	3,447,210	1,260,100
Years 2018-2022	19,637,223	7,043,646

The annual increase in healthcare costs is assumed to be 7.60% initially decreasing gradually to 4.50% in 2028 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 2012	$ 334,725	$ (269,898)
Effect on postretirement benefit obligation at June 30, 2012	4,161,700	(3,375,725)

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, 2012 and 2011:

Temporarily Restricted

	June 30, 2012	June 30, 2011
Purpose restrictions		
Scholarships, grants, and student loans	$ 12,404,884	$ 5,282,804
Unallocated operating endowment	1,308,223	2,014,773
Broadcast construction/renovation projects	1,697,574	214,222
Miscellaneous projects	3,724,827	2,078,334
Time restrictions		
Beneficial interest in term trusts held by others	4,950,874	5,958,750
Irrevocable trust agreements for which the Institute is trustee	28,942,479	29,304,786
	$ 53,028,861	$ 44,853,669

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

Permanently Restricted

	June 30, 2012	June 30, 2011
Endowments held by the Institute		
Student aid	$ 12,914,719	$ 10,195,239
General purpose	4,714,239	4,714,239
Building maintenance	3,804,030	3,804,030
Education ministries	4,564,445	4,465,120
President's Global Impact Fund	2,013,726	2,012,826
Broadcast ministries	105,300	105,300
Held in MBI managed Trusts	498,030	476,347
Endowments held by others on behalf of the Institute		
Beneficial interest in perpetual trusts held by others	3,790,354	3,779,375
	$ 32,404,843	$ 29,552,476

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:

	June 30, 2012	June 30, 2011
Purpose restriction accomplished		
Moody capital projects	$ 1,166,821	$ 463,119
Broadcast construction/renovation projects	483,018	78,165
Student grants and scholarships	1,635,853	1,302,256
Educational purposes	484,579	419,288
Miscellaneous projects	109,456	362,504
	3,879,727	2,625,332
Time restrictions expired		
Termination of irrevocable trust agreements	5,179,819	8,575,539
Termination of charitable gift annuities	1,329,624	-
	6,509,443	8,575,539
	$ 10,389,170	$ 11,200,871

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 the following purposes:

- Scholarships for students
- The general operating needs of the Institute

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, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ (9,020)	$ 3,687,332	$ 32,404,843	$ 36,083,155
Board-designated funds	16,718,892	-	-	16,718,892
Total funds	$ 16,709,872	$ 3,687,332	$ 32,404,843	$ 52,802,047

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$ 5,134,744	$ 29,552,476	$ 34,687,220
Board-designated funds	17,674,473	-	-	17,674,473
Total funds	$ 17,674,473	$ 5,134,744	$ 29,552,476	$ 52,361,693

(Continued)

NOTE 10 - ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for years ended June 30, 2012 and 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, July 1, 2010	$ 12,492,123	$ 1,677,573	$ 28,547,256	$ 42,716,952
Investment return:				
Investment income, net of fees	298,483	653,474	-	951,957
Realized/unrealized gains	1,844,895	3,155,000	-	4,999,895
Change in split interest trusts held by others	-	-	378,074	378,074
New gifts	-	102,502	627,146	729,648
Designated by Board of Trustees	3,098,342	-	-	3,098,342
Appropriation for expenditure	(59,370)	(453,805)	-	(513,175)
Net assets, June 30, 2011	17,674,473	5,134,744	29,552,476	52,361,693
Investment return:				
Investment income, net of fees	306,774	47,543	-	354,317
Realized/unrealized loss	(568,087)	(732,711)	-	(1,300,798)
Change in split interest trusts held by others	-	-	20,312	20,312
New gifts	-	7,016	2,832,055	2,839,071
Change in donor designation	-	(85,139)	-	(85,139)
Appropriation for expenditure	(703,288)	(684,121)	-	(1,387,409)
Net assets, June 30, 2012	$ 16,709,872	$ 3,687,332	$ 32,404,843	$ 52,802,047

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 2012 and 2011, 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. The donor-restricted deficiencies as of June 30, 2012 and 2011, as reported above are $9,020 and $0, 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, 2012 and 2011.

NOTE 12 - COMMITMENTS

The Institute has lease contracts and maintenance agreements for satellite and radio transmission towers, office and classroom space, computer and other equipment, certain of these contracts and agreements contain renewal provisions. Expenses incurred under these agreements were approximately $1,570,000 and $1,700,000 for 2012 and 2011, 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 acquisition of assets by capital lease of $630,890 has been removed from the decrease in accounts payable and accrued expenses and purchase of property, plant and equipment lines on the statement of cash flows. An additional supplemental disclosure to the statement of cash flows, during the year ended June 30, 2012, the Institute paid $10,909 for interest on the capital lease. Future minimum commitments for both operating and capital leases and maintenance agreements with noncancelable terms in excess of one year are as follows at June 30:

	Operating Amount	Capital Amount
2013	$ 1,108,606	$ 166,860
2014	472,357	166,860
2015	198,308	166,860
2016	54,257	55,619
2017	54,257	-
Thereafter	488,027	-
Total minimum operating lease payments	$ 2,375,812	556,199
Less: Amount representing interest		(25,640)
Present value of net minimum lease payments		$ 530,559

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 $293,000 and $278,000 has been recorded by the Institute as of June 30, 2012 and June 30, 2011, respectively, for estimated claims incurred but not reported on that date. Group health insurance expense for the fiscal years ended June 30, 2012 and 2011 totaled approximately $6,395,000 and $6,411,000, 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 $3.3 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 College 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
DETAILS OF STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012 Unrestricted	2012 Temporarily Restricted	2012 Permanently Restricted	2012 Total	2011 Total
ASSETS					
Cash and cash equivalents	$ 2,909,974	$ 5,486,647	$ 450,110	$ 8,846,731	$ 7,696,684
Receivables					
Beneficial interest in term trusts held by others and pledges receivable	-	7,289,627	-	7,289,627	6,579,405
Other, net	5,170,169	372,191	225	5,542,585	5,212,356
Inventories	4,355,098	-	-	4,355,098	4,836,720
Investments	19,794,433	52,444,479	29,794,508	102,033,420	96,558,397
Trust holdings	-	156,325,052	4,632,588	160,957,640	157,557,723
Property, plant, and equipment, net	54,685,230	-	-	54,685,230	55,244,588
Due from (to) other funds	(2,475,000)	4,599,884	(2,124,884)	-	-
Other	10,805,776	-	-	10,805,776	11,320,633
Total assets	$ 95,245,680	$ 226,517,880	$ 32,752,547	$ 354,516,107	$ 345,006,506
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 8,890,177	$ 4,701	$ 3,500	$ 8,898,378	$ 8,965,777
Accrued pension and postretirement health benefits	50,940,740	-	-	50,940,740	40,655,876
Annuity contract actuarial reserve	-	46,101,746	-	46,101,746	46,762,529
Trust obligations	-	127,382,572	344,204	127,726,776	123,997,215
Other	507,677	-	-	507,677	508,341
Total liabilities	60,338,594	173,489,019	347,704	234,175,317	220,889,738
Net assets					
Unrestricted	34,907,086	-	-	34,907,086	49,710,623
Temporarily restricted	-	53,028,861	-	53,028,861	44,853,669
Permanently restricted	-	-	32,404,843	32,404,843	29,552,476
Total net assets	34,907,086	53,028,861	32,404,843	120,340,790	124,116,768
Total liabilities and net assets	$ 95,245,680	$ 226,517,880	$ 32,752,547	$ 354,516,107	$ 345,006,506

See accompanying independent auditors' report.

THE MOODY BIBLE INSTITUTE OF CHICAGO
TRUSTEES AND OFFICERS
As of June 30, 2012
(Unaudited)