

**THE MISSOURI DISTRICT OF  
THE LUTHERAN CHURCH-MISSOURI SYNOD**

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019



Missouri District

THE LUTHERAN CHURCH — MISSOURI SYNOD

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## **Independent Auditor's Report**

Board of Directors  
The Missouri District of the Lutheran Church-Missouri Synod  
St. Louis, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Missouri District of the Lutheran Church-Missouri Synod (the "District"), which comprise the statements of financial position as of June 30, 2019, and the related statement of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 District'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 District'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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Missouri District of the Lutheran Church-Missouri Synod as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Brown Smith Wallace, LLP*

St. Louis, Missouri  
September 23, 2019

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Statement of Financial Position

June 30, 2019

### ASSETS

Cash and cash equivalents	\$	809,259
Accounts receivable		3,421
Prepaid expenses		238,644
Split interest agreements receivable		134,393
Property held for sale, at fair value		743,298
Vehicles and equipment, net		27,854
Investments		2,711,211

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>4,668,080</b>
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### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable and accrued expenses	\$	97,086
Funds held in custody for others		7,400
Due to The Lutheran Church-Missouri Synod		39,417
Deferred revenue		383,841
Loans payable		399,053

<b>Total Liabilities</b>		<b>926,797</b>
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#### Net assets

Net assets without donor restrictions		
Undesignated		1,303,122
Investment in property held, land, buildings and equipment		372,099

<b>Total net assets without donor restrictions</b>		<b>1,675,221</b>
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Net assets with donor restrictions		2,066,062
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<b>Total Net Assets</b>		<b>3,741,283</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>4,668,080</b>
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The accompanying notes are an integral part of these financial statements.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, revenues, and gains</b>			
<b>Support:</b>			
District congregations	\$ 2,597,083	\$ -	\$ 2,597,083
Other	111,446	78,865	190,311
<b>Total support</b>	<b>2,708,529</b>	<b>78,865</b>	<b>2,787,394</b>
<b>Revenues and gains:</b>			
Conventions, conferences and workshops	182,095	-	182,095
Change in value of split interest agreements	-	361	361
Investment and other interest income, net	25,282	94,890	120,172
Cooperative ministries	214,182	-	214,182
Other revenue	(245,319)	-	(245,319)
<b>Total revenues and gains</b>	<b>176,240</b>	<b>95,251</b>	<b>271,491</b>
<b>Net assets released from restrictions</b>	<b>208,955</b>	<b>(208,955)</b>	<b>-</b>
<b>Total support, revenues, and gains</b>	<b>3,093,724</b>	<b>(34,839)</b>	<b>3,058,885</b>
<b>Expenses</b>			
<b>Program Services</b>	<b>2,190,849</b>	<b>-</b>	<b>2,190,849</b>
<b>Supporting Services</b>			
National Support	519,417	-	519,417
Management and general	428,039	-	428,039
Advancement	163,856	-	163,856
<b>Total supporting services</b>	<b>1,111,312</b>	<b>-</b>	<b>1,111,312</b>
<b>Total expenses</b>	<b>3,302,161</b>	<b>-</b>	<b>3,302,161</b>
<b>Change in net assets</b>	<b>(208,437)</b>	<b>(34,839)</b>	<b>(243,276)</b>
<b>Net assets at beginning of year</b>	<b>1,883,658</b>	<b>2,100,901</b>	<b>3,984,559</b>
<b>Net assets at end of year</b>	<b>\$ 1,675,221</b>	<b>\$ 2,066,062</b>	<b>\$ 3,741,283</b>

The accompanying notes are an integral part of these financial statements.

## THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

### Statement of Functional Expenses

Year ended June 30, 2019

	Program Services						Supporting Services			Total Expenses
	Missions	LCEF	Ecclesiastical Services	Services to Congregations	Conventions, conferences and workshops	Total	National Support	Management and General	Advancement	
Grants, Aid & Support	\$ 665,300	\$ -	\$ -	\$ 139,050	\$ -	\$ 804,350	\$ 519,417	\$ -	\$ -	\$ 1,323,767
Salaries & Benefits	94,086	141,325	191,588	349,633	112,907	889,539	-	313,650	122,002	1,325,191
Meals & Planning	1,276	-	28,006	40,705	196,976	266,963	-	-	-	266,963
Travel	5,346	-	13,523	20,751	1,272	40,892	-	13,488	2,257	56,637
Properties, Rent & Insurance	6,683	7,200	13,604	65,664	8,017	101,168	-	22,272	8,663	132,103
Data & Technology	4,848	-	9,873	18,017	5,818	38,556	-	16,163	6,287	61,006
Professional Services	7,752	-	-	9,692	-	17,444	-	28,200	22,284	67,928
Other	5,599	11,856	2,490	9,905	2,087	31,937	-	34,266	2,363	68,566
Total expenses	\$ 790,890	\$ 160,381	\$ 259,084	\$ 653,417	\$ 327,077	\$ 2,190,849	\$ 519,417	\$ 428,039	\$ 163,856	\$ 3,302,161

The accompanying notes are an integral part of these financial statements.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Statement of Cash Flows

Year ended June 30, 2019

### Cash flows from operating activities:

Change in net assets	\$ (243,276)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	28,380
Gain on disposal of assets	
Realized and unrealized gains on investments	(77,075)
Change in value of split interest agreements receivable	(361)
Unrealized losses on property held for sale	350,702
Operating accounts	177,717
<b>Net cash provided by operating activities</b>	<b>236,087</b>

### Cash flows from investing activities:

Proceeds from sale of investments	259,786
Purchases of investments	(330,433)
<b>Net cash used in investing activities</b>	<b>(70,647)</b>

### Cash flows from financing activities:

LCEF loans payable - principal repayments	(264,875)
<b>Net cash used in financing activities</b>	<b>(264,875)</b>

**Net decrease in cash and cash equivalents** (99,435)

**Cash and cash equivalents at beginning of year** 908,694

**Cash and cash equivalents at end of year** \$ 809,259

### Operating accounts:

Assets -	
Accounts receivable	\$ (109)
Loan receivable	222,979
Prepaid expenses	(199,608)
Split interest agreements receivable	(86)
Liabilities -	
Accounts payable and accrued expenses	(19,402)
Funds held in custody for others	1,731
Due to The Lutheran Church-Missouri Synod	(398)
Deferred revenue	172,610
	\$ 177,717

### Supplemental Disclosure of Cash Flow Information:

Interest paid	\$ 16,674
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The accompanying notes are an integral part of these financial statements.



# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements

June 30, 2019

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### Note A - Nature of Activities

The Missouri District of the Lutheran Church-Missouri Synod (the “District”) is one of 35 districts of the Lutheran Church-Missouri Synod (“LCMS”), encompassing approximately 291 congregations in the state of Missouri. The District is a not-for-profit organization which relies on donations from congregations for most of its operating income. These donations are subject to fluctuations in the economic status of the area in which the congregation is located. No provisions have been made for changes in the economic environment.

The District’s program and support services that reflect its activities include:

**Missions** – Mission endeavors within the boundaries of the state of Missouri. Included in this category are new mission starts, new ministry starts, and urban, ethnic and campus ministry. Also included in this category is the “Plus One” initiative which encourages each congregation and school in the Missouri District to begin at least one new outreach activity. The District employs staff and consultants to assist congregations in assessing ministry opportunities within their communities.

**Cooperative Ministries** – Activities where the District has entered into a long-term relationship to accomplish mission and ministry related endeavors within the boundaries of the state of Missouri with another like-minded organization. Included in this category is activity related to work done together with the Lutheran Church Extension Fund (LCEF). This cooperative work is done for the benefit of the congregations and church workers within the District. The LCEF work is funded mainly through an annual service agreement.

**Ecclesiastical Services** – As a member district of the Lutheran Church – Missouri Synod, the District has responsibilities for the oversight of ecclesiastical matters within member congregations and their workers. Ecclesiastical oversight is primarily the responsibility of the District President with assistance from the Vice-presidents and Circuit Visitors. The District office maintains relevant records for all rostered church workers and member congregations.

**Services to Congregations and Church Workers** – Support of congregations, schools and church workers through the office of the president, the vice presidents, the circuit counselors, the president’s assistants for education, family life and youth, and worker and congregational health. It also includes expenses for student aid, and advance sites, reported as property held for sale.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note A - Nature of Activities (Continued)

**Conventions, Conferences and Workshops** – Costs related to the various gatherings sponsored by the District. Many of these gatherings and their related expenses are on the three-year cycle that coincides with the Lutheran Church – Missouri Synod convention and/or as specified by the bylaws of the District.

**National Support** – The District's support of the national synodical office in support of all the national and international initiatives of the LCMS, including international support of missionaries, partner churches, and world relief efforts.

**Supporting Services** – Administrative costs of the District and other general costs such as legal, audit and accounting. This category also includes the costs of fundraising.

### Note B - Summary of Significant Accounting Policies

#### **Basis of Accounting and Presentation**

The financial statements have been prepared on the accrual basis of accounting.

#### **Use of Estimates in Financial Statement Preparation**

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Revenue and Support**

Contributions are recognized as support when they are received or unconditionally pledged. Gifts of cash and other assets are reported as net assets with donor restrictions that are temporary in nature or net assets with donor restrictions that are perpetual in nature if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, including currency, demand deposits, and liquid investments. However, cash and cash equivalents do not include investments the District has both the ability and intent to hold long-term.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### **Cash and Cash Equivalents (Continued)**

The District maintains cash balances at several financial institutions in the St. Louis metropolitan and surrounding area. At times these balances may exceed federally insured limits.

#### **Investments**

Investments are stated at fair market value in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities as increases or decreases in net assets with or without donor restrictions as appropriate based on donor restrictions. The fair value for debt securities and marketable equity securities are based on quoted market prices.

#### **Vehicles and Equipment**

Vehicles and equipment are recorded at cost and depreciated over their estimated useful lives ranging from three to ten years, using the straight-line method.

#### **Split Interest Agreements Receivable**

Split-interest agreements consist primarily of irrevocable charitable remainder trusts and beneficial interest in trusts. The assets associated with such agreements are held by the Lutheran Church-Missouri Synod Foundation. Contributions are recognized as either receivables or gift income when the District is notified of the agreements and are recorded at the present value of the estimated future benefits to be received when the assets are distributed to the District. The valuations of the agreements are initially calculated by the Foundation. The agreements are re-valued annually and any resulting actuarial gain or loss is reflected in the statement of activities as a change in value of split-interest agreements.

#### **Property Held for Sale**

The District holds land held for resale in St. Peters, Missouri and in Branson, Missouri. The land is recorded at the amount the District expects to realize upon sale of the land. The valuation of these properties is consistent with fair value measurement criteria and Level 3 classification under FASB ASC 820-10 (See Note E).

As of June 30, 2019, the Branson property was under contract to be sold. Subsequent to year-end, the District finalized the sale of the property to a congregation within the District. The net realizable value of the property has been adjusted to the sales price as of June 30, 2019.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions*** – Net assets available for use in general operations and not subject to donor restrictions.

***Net Assets With Donor Restrictions*** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions that are temporary in nature are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Functional Allocation of Expenses

Costs have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program expenses and support services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Certain categories of expenses are attributed to more than one function; therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated on the basis of estimates of time and effort include salaries and benefits, travel expenses, properties, rent, & insurance, and data & technology.

#### Deferred Revenue

The District assesses fees to congregations for certain conventions and conferences. The balance in the deferred revenue category consists of unused assessments and other conference revenues not yet recognized. The unused assessment balance will be used to reduce the assessment to congregations for future conventions and conferences.

#### Income Taxes

The District constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

The District has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

The Organization has evaluated all subsequent events through September 23, 2019, the date the financial statements were available to be issued.

#### Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The District implemented ASU 2016-14 for the year ended June 30, 2019.

### Note C - Split Interest Agreements

The District is a named beneficiary of irrevocable deferred gifts and will receive the principal at some future date. These amounts are held by a third-party trustee and are included in restricted net assets by the District. These amounts have been discounted to net present value as follows:

Market value	\$	136,889
Less: present value component		<u>(2,496)</u>
	\$	<u>134,393</u>

The maximum growth rate and discount rate utilized in calculating the present value of irrevocable deferred gifts as of June 30, 2019 are 5.90%.

### Note D - Investments

Investments consist of the following at June 30, 2019:

	<u>Cost</u>	<u>Market Value</u>
LCEF Notes	\$ 530,873	\$ 530,873
LCMS Foundation - standard moderate balanced fund	<u>1,729,659</u>	<u>2,180,338</u>
	<u>\$ 2,260,532</u>	<u>\$ 2,711,211</u>

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note D - Investments (Continued)

Investment income on these investments for the year ended June 30, 2019 is as follows:

Interest and dividends	\$ 43,097
Realized and unrealized gains	<u>77,075</u>
	<u>\$ 120,172</u>

Investment fees were \$9,766 for the year ended June 30, 2019.

As of June 30, 2019, all investments at LCMS Foundation were held in a standard moderate balanced fund (60%).

LCEF notes are long-term and short-term investments held in money market and similar accounts that are reported as investments instead of cash because the District holds those funds as part of their endowments and for other long-term purposes.

### Note E - Fair Value Measurements

The District follows FASB ASC 820-10 Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a fair value hierarchy used to disclose the measurement of fair value based on levels of observable or unobservable inputs.

#### Level 1

Observable inputs that are derived from quoted prices (unadjusted) for identical assets or liabilities in an active market.

#### Level 2

Observable inputs based on quoted prices in non-active markets or in active markets for similar assets or liabilities. Inputs other than quoted prices that are observable, or inputs that are not directly observable, but are corroborated by observable market data.

#### Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and reflect substantial management judgement or estimation utilizing available market data.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note E - Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

LCEF Notes: Valued at cost of the investment.

LCMS Foundation – standard balanced funds: Valued using the net asset value (NAV) per share, or its equivalent, as a practical expedient for fair value.

Real Estate: Valued at the appraised value less estimated commission related expenses.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board of Directors assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate.

The District recognized transfers, if any, between levels in the fair value hierarchy at the end of the reporting period. There were no transfers during the year ended June 30, 2019.

Details of investments and fair values of assets measured on a recurring basis at June 30, 2019 as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Real Estate	\$ -	\$ -	\$ 743,298	\$ 743,298
LCEF Notes	-	-	-	530,873
LCMS Foundation	<u>-</u>	<u>2,180,338</u>	<u>-</u>	<u>2,180,338</u>
Total	\$ <u>-</u>	\$ <u>2,180,338</u>	\$ <u>743,298</u>	\$ <u>3,454,509</u>

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note E - Fair Value Measurements (Continued)

The following tables summarize investments measured at fair value based on NAV per share as of June 30, 2019:

Investment Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
LCMS Foundation - standard moderate/ aggressive balanced fund	\$ 2,180,338	-	Daily to Monthly	Daily

The following table sets forth the District's properties held for sale at fair value as of June 30, 2019:

Beginning Balance	\$ 1,094,000
Additions	-
Sales	-
Write-down	<u>(350,702)</u>
Ending Balance	<u>\$ 743,298</u>

### Note F - Vehicles and Equipment

Vehicles and equipment at June 30, 2019 are as follows:

Office equipment	\$ 113,317
Vehicles	<u>134,102</u>
	247,419
Less: accumulated depreciation	<u>219,565</u>
	<u>\$ 27,854</u>

Depreciation expense for the year ended June 30, 2019 totaled \$28,380.



# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note G - Loan Receivable

During the year ended June 30, 2016, the District entered into a loan receivable agreement with an employee for housing assistance in the amount of \$222,979 that was due and payable on June 24, 2018. During the year ended June 30, 2018, the District extended the agreement, set to mature on June 24, 2019, or upon the sale of the collateralized home, whichever occurs first. The collateralized home was sold, and the loan balance was zero as of June 30, 2019.

### Note H - Agreements with Lutheran Church Extension Fund

Prior to 1992, the District operated a Church Extension Fund. Pursuant to an agreement between the District and Lutheran Church Extension Fund ("LCEF") dated June 1, 1992, the District transferred to LCEF, effective June 30, 1992, all rights, title and interest in its Church Extension Fund assets, subject to the debts and liabilities of the Fund. Under the terms of this agreement, the LCEF will continue church extension operations in the District on their behalf. The District agreed not to issue any investment obligations after June 1, 1992.

In accordance with agreements dated July 1, 1996 and 1995, the LCEF agreed to compensate the District for providing facilities and services to LCEF, as well as for promotion and coordination expenses for the church extension program. The agreements, which are subject to renegotiations each July 1, require LCEF to pay the District a fixed amount monthly. The amounts received by the District in connection with these agreements during the year ended June 30, 2019 totaled \$214,182. The agreements also require the LCEF to reimburse the District for certain other stipulated expenses and entitles the District to receive certain distributions of operating results from LCEF.

During June 1992, the LCEF and the District entered into an agreement, which included LCEF providing an unsecured line-of-credit to the District equal to 5% of LCEF net assets attributable to the District, as determined by the LCEF. The line of credit has no maturity date, and it had a balance of zero as of June 30, 2019. The LCEF will make available to the District a portion of the net operating results, as defined in the agreement.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note I - Loans Payable

Long-term debt consists of the following at June 30, 2019:

4.375% note payable, monthly principal and interest payments of \$4,110, maturing June 11, 2029; collateralized by property;	\$ 399,053
Less current maturities	<u>(32,509)</u>
Total long-term debt, less current maturities	\$ <u>366,544</u>

Future minimum principal payments are as follows:

Year ended <u>June 30,</u>	
2020	\$ 32,509
2021	33,960
2022	35,476
2023	37,059
2024	38,714
Thereafter	<u>221,335</u>
	\$ <u>399,053</u>

### Note J - Net Assets with Donor Restrictions

As of June 30, 2019, net assets with donor restrictions were available for the following purposes:

Missions	\$ 53,421
Services to congregations and church workers	468,833
Time restrictions	<u>5,099</u>
	\$ <u>527,353</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Restricted net assets were released for the following purposes during the year ended June 30, 2019:

Missions	\$ 69,706
Services to congregations and church workers	<u>139,249</u>
	\$ <u>208,955</u>

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note J - Net Assets with Donor Restrictions (Continued)

Certain net assets are restricted to investment in perpetuity, the income of which can be used to support district activity. Perpetually held restricted funds are for the following purposes:

Elementary education	\$ 85,628
Missions	269,045
Student aid	1,042,842
Other	<u>141,194</u>
	<u>\$ 1,538,709</u>

#### **Endowment Funds**

The District follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) regarding endowment funds. The District invests endowment funds in LCMS Foundation and LCEF investment instruments.

From time to time, the fair value of assets associated with the endowments may fall below the level that the donor or UPMIFA requires the District to retain as a fund of perpetual duration.

#### ***Net Asset Classifications and Interpretation of Relevant Law***

The Board of Directors of the District has interpreted the relevant Missouri state law as requiring the preservation of the fair value of the original gift as of the gift date of the funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the District classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts to the Endowment, and (c) additions to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Endowment.

The earnings of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature are classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the District in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the District, and (7) the District's investment policies.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note J - Net Assets with Donor Restrictions (Continued)

#### Endowment Funds (Continued)

##### *Endowment Investment and Spending Policies*

The District has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a balanced fund, which is intended to result in a consistent inflation-protected rate of return. The District's policy allows for distributions up to 7% of the fund's value each year. During the year ended 2019, the District has adhered to a 4% rate of distribution.

In general, the objective of the Investment Policy is the preservation and growth of capital. Preservation and conservation of principal is important, along with reasonable growth potential. Performance is evaluated relative to the appropriate financial benchmarks. The portfolio managers shall report any sales or purchases promptly to the District's Finance Committee. The District's Board of Directors, through its Finance Committee may exercise all rights, powers, and privileges with respect to the investments and the portfolio, including providing that certain investments be included or excluded in the portfolio.

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 1,538,709
Accumulated investment earnings	<u>194,015</u>
Total funds	<u>\$ 1,732,724</u>

The change in endowment funds for the year ended June 30, 2019, is as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 1,763,316
Additions	17,217
Investment returns	62,679
Amounts appropriated for expenditure	<u>(110,488)</u>
Endowment net assets, end of the year	<u>\$ 1,732,724</u>

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note K - Defined Benefit Plan

The District participates in the Concordia Plans of the Synod. Substantially all full-time employees are covered by the Concordia Retirement Plan (CRP) and the Concordia Disability and Survivor Plan (CDSP). The CRP provides workers with income during retirement. All full-time workers (those employed more than 20 hours per week and more than 5 consecutive months a year) are eligible. Eligible members are vested after five years of creditable service. The CDSP provides a disability benefit (for the worker) and a pre-retirement lump-sum death benefit (for the worker and enrolled dependents). All full-time workers (those employed more than 20 hours per week and more than 5 consecutive months a year) must be offered the opportunity to enroll themselves and eligible dependents in the CDSP. The CDSP pays a monthly income benefit equal to 70% of an employee's monthly compensation when a worker becomes disabled due to a qualifying disability. The pre-retirement, lump-sum death benefit payment is equal to two times a worker's annual salary. The District contributes a fixed percentage of each participant's salary to the plans.

Total CRP and CDSP contributions as of June 30, 2019 are as follows:

Concordia Retirement Plan	\$ 84,189
Concordia Disability and Survivor Plan	<u>19,069</u>
	<u>\$ 103,258</u>

There were no significant changes in the District's relationships. There were also no contingent liabilities associated with the plans at June 30, 2019. Currently, the District has no intention to withdraw from either plan; the contributions and level of participation are not significant to the Plan as a whole.

# THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

## Notes to Financial Statements - Continued

June 30, 2019

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### Note L - Long-Term Lease and Lease Amendment

In April 2000, the District entered into a lease agreement pertaining to office space with BCTN, Inc. expiring March 2010 with an option to renew for one additional ten-year period. In March 2010, the renewal option was exercised, and an additional 10-year renewal option was negotiated. The annual lease amount is set at \$33,312. Aggregate minimum future payments through March 2020 under the amended lease are scheduled as follows:

Year ended	
<u>June 30,</u>	
2020	\$ 24,860

### Note M - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 809,259
Accounts receivable	3,421
Investments	2,711,211
Less program restrictions	(333,338)
Less endowments included in investments and cash equivalents	<u>(1,598,331)</u>
	\$ <u>1,592,222</u>

In addition to the above resources, the District also holds an unsecured line-of-credit with LCEF equal to 5% of LCEF net assets attributable to the District with total funds available in the amount of \$801,485 as of June 30, 2019. The line of credit has no maturity date. See Note H for more information on the line-of-credit.