

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

Financial Statements

JUNE 30, 2024



Missouri District

THE LUTHERAN CHURCH — MISSOURI SYNOD

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Missouri District of the Lutheran Church-Missouri Synod, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Missouri District of the Lutheran Church-Missouri Synod and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Missouri District of the Lutheran Church-Missouri Synod's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Missouri District of the Lutheran Church-Missouri Synod's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Missouri District of the Lutheran Church-Missouri Synod's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024, on our consideration of Missouri District of the Lutheran Church-Missouri Synod'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 the effectiveness of Missouri District of the Lutheran Church-Missouri Synod's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missouri District of the Lutheran Church-Missouri Synod's internal control over financial reporting and compliance.



Armanino^{LLP}
St. Louis, Missouri

October 8, 2024

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 732,742	\$ 856,237
Investments	5,526,658	5,321,406
Prepaid expenses	20,276	162,988
Split interest agreements receivable	283,028	268,388
Right-of-use asset	322,426	373,253
Vehicles and equipment, net	62,968	85,642
TOTAL ASSETS	\$ 6,948,098	\$ 7,067,914
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 116,619	\$ 116,993
Funds held in custody for others	14,983	30,278
Funds held in custody for MoScholars	90,088	180,719
Due to The Lutheran Church-Missouri Synod	101,147	114,317
Deferred revenue	154,166	285,001
Operating lease liability	347,582	385,831
Total Liabilities	824,585	1,113,139
Net assets		
Net assets without donor restrictions	2,004,740	2,157,206
Net assets with donor restrictions	4,118,773	3,797,569
Total Net Assets	6,123,513	5,954,775
TOTAL LIABILITIES AND NET ASSETS	\$ 6,948,098	\$ 7,067,914

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains, and losses			
Support:			
District congregations	\$ 2,634,786	\$ -	\$ 2,634,786
Contributions and other support	57,924	210,316	268,240
Total support	2,692,710	210,316	2,903,026
Revenues, gains, and losses:			
Conventions, conferences and workshops	451,286	-	451,286
Change in value of split interest agreements	-	17,338	17,338
Investment and other interest income, net	115,955	390,362	506,317
Cooperative ministries	15,396	-	15,396
Other revenue	120,473	-	120,473
Total revenues, gains, and losses	703,110	407,700	1,110,810
Net assets released from restrictions	296,812	(296,812)	-
Total support, revenues, gains, and losses	3,692,632	321,204	4,013,836
Expenses			
Program Services			
Missions	761,223	-	761,223
LCEF	15,458	-	15,458
Ecclesiastical Services	336,621	-	336,621
Services to Congregations	854,489	-	854,489
Events	705,187	-	705,187
Supporting Services			
Synod Support	530,147	-	530,147
Management and General	440,047	-	440,047
Advancement	201,926	-	201,926
Total expenses	3,845,098	-	3,845,098
Change in net assets	(152,466)	321,204	168,738
Net assets at beginning of year	2,157,206	3,797,569	5,954,775
Net assets at end of year	\$ 2,004,740	\$ 4,118,773	\$ 6,123,513

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, gains, and losses			
Support:			
District congregations	\$ 2,596,589	\$ -	\$ 2,596,589
Contributions and other support	110,103	215,170	325,273
Total support	2,706,692	215,170	2,921,862
Revenues, gains, and losses:			
Conventions, conferences and workshops	189,836	-	189,836
Change in value of split interest agreements	-	(4,515)	(4,515)
Investment and other interest income, net	88,054	312,534	400,588
Cooperative ministries	99,636	-	99,636
Other revenue	140,324	-	140,324
Total revenues, gains, and losses	517,850	308,019	825,869
Net assets released from restrictions	343,832	(343,832)	-
Total support, revenues, gains, and losses	3,568,374	179,357	3,747,731
Expenses			
Program Services			
Missions	734,135	-	734,135
LCEF	102,325	-	102,325
Ecclesiastical Services	220,316	-	220,316
Services to Congregations	933,621	-	933,621
Events	355,176	-	355,176
Supporting Services			
Synod Support	519,317	-	519,317
Management and General	464,997	-	464,997
Advancement	218,970	-	218,970
Total expenses	3,548,857	-	3,548,857
Change in net assets	19,517	179,357	198,874
Net assets at beginning of year	2,137,689	3,618,212	5,755,901
Net assets at end of year	\$ 2,157,206	\$ 3,797,569	\$ 5,954,775

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, 2024

	Program Services					Total	Supporting Services			Total Expenses
	Missions	LCEF	Ecclesiastical Services	Services to Congregations	Events		Synod Support	Management and General	Advancement	
Grants, Aid & Support	\$ 573,253	\$ -	\$ 9,483	\$ 207,196	\$ -	\$ 789,932	\$ 530,147	\$ -	\$ -	\$ 1,320,079
Salaries & Benefits	155,779		269,070	491,079	203,840	1,119,768	-	328,508	121,503	1,569,779
Meals & Planning	-	-	14,132	20,224	153,059	187,415	-	5,700	-	193,115
Travel	-	-	9,986	42,144	264,183	316,313	-	10,611	2,385	329,309
Properties, Rent & Insurance	10,258	11,136	17,718	32,338	13,423	84,873	-	21,632	8,001	114,506
Data & Technology	5,939		14,516	18,721	7,771	46,947	-	12,524	26,223	85,694
Professional Services	15,994	4,260	329	42,527	9,351	72,461	-	41,489	-	113,950
Other	-	62	1,387	260	53,560	55,269	-	19,583	43,814	118,666
Total expenses	\$ 761,223	\$ 15,458	\$ 336,621	\$ 854,489	\$ 705,187	\$ 2,672,978	\$ 530,147	\$ 440,047	\$ 201,926	\$ 3,845,098

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, 2023

	Program Services						Supporting Services			Total Expenses
	Missions	LCEF	Ecclesiastical Services	Services to Congregations	Events	Total	Synod Support	Management and General	Advancement	
Grants, Aid & Support	\$ 587,473	\$ -	\$ 6,210	\$ 185,097	\$ -	\$ 778,780	\$ 519,317	\$ -	\$ -	\$ 1,298,097
Salaries & Benefits	110,877	79,735	170,953	502,303	151,640	1,015,508	-	334,860	139,378	1,489,746
Meals & Planning	-	-	8,132	58,847	156,492	223,471	-	8,215	-	231,686
Travel	-	-	8,264	45,408	4,331	58,003	-	7,824	3,921	69,748
Properties, Rent & Insurance	8,688	11,136	13,395	39,388	11,882	84,489	-	26,238	10,921	121,648
Data & Technology	5,832	7,260	8,992	26,422	7,976	56,482	-	17,614	25,147	99,243
Professional Services	21,265	4,194	3,155	64,092	11,050	103,756	-	50,343	-	154,099
Other	-	-	1,215	12,064	11,805	25,084	-	19,903	39,603	84,590
Total expenses	<u>\$ 734,135</u>	<u>\$ 102,325</u>	<u>\$ 220,316</u>	<u>\$ 933,621</u>	<u>\$ 355,176</u>	<u>\$ 2,345,573</u>	<u>\$ 519,317</u>	<u>\$ 464,997</u>	<u>\$ 218,970</u>	<u>\$ 3,548,857</u>

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

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 168,738	\$ 198,874
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,743	35,237
Gain on disposal of assets	-	(5,730)
Realized and unrealized loss (gain) on investments	(506,317)	(404,505)
Change in value of split interest agreements receivable	(14,640)	54,914
Operating accounts	(95,015)	210,459
Net cash provided by (used in) operating activities	(417,491)	89,249
Cash flows from investing activities:		
Proceeds from sale of vehicles	-	5,730
Purchase of vehicles and equipment	(7,069)	(30,156)
Proceeds from sale of investments	345,210	116,096
Purchases of investments	(44,145)	(45,881)
Net cash provided by (used in) investing activities	293,996	45,789
Net increase (decrease) in cash and cash equivalents	(123,495)	135,038
Cash and cash equivalents at beginning of year	856,237	721,199
Cash and cash equivalents at end of year	\$ 732,742	\$ 856,237
Operating accounts:		
Assets -		
Accounts receivable	\$ -	\$ 19
Prepaid expenses	142,712	(59,135)
Liabilities -		
Accounts payable and accrued expenses	(374)	672
Funds held in custody for others	(15,295)	19,533
Funds held in custody for MO Scholars	(90,631)	180,719
Due to The Lutheran Church-Missouri Synod	(13,170)	60,796
Deferred revenue	(130,835)	(4,723)
Operating lease right of use asset and liability, net	12,578	12,578
	\$ (95,015)	\$ 210,459
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ -	\$ -

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, 2024

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” or “Synod”), encompassing approximately 289 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:

Programs:

Missions – Mission endeavors within the boundaries of the state of Missouri. Included in this category are new mission starts, new ministry starts, and urban, rural, ethnic and campus ministry. The District employs staff and consultants to assist congregations in assessing ministry opportunities within their communities.

LCEF – 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 a 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 volunteer Vice-presidents and Circuit Visitors. The District office maintains relevant records for all rostered church workers and member congregations. The District also helps to assimilate new workers into their roles within ministries of local Lutheran schools and congregations.

Services to Congregations – Support of congregations, schools and church workers in their ministries to their members and the broader communities in which they are located. It also includes expenses for student aid assistance for church work preparation.

Events – This category includes convention, conference and workshop 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.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note A – Nature of Activities (Continued)

Support Services:

Synod 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.

Management and General – Administrative costs of the District and other general costs such as rent, insurance, data processing, legal, auditing and accounting.

Advancement – This category includes the costs of fundraising including mailings and informational visits to congregations and potential donors.

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. Promises to give are considered conditional when a measurable barrier and right of return or release exists. The promises to give become unconditional and are recognized when the barriers upon which they depend are overcome. When the satisfaction of a barrier is accomplished in the same period as the contribution is made, conditional contributions are recorded as unconditional. 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are recognized.

The majority of the District's program revenue arrangements consist of a single performance obligation to transfer promised goods or services. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note B – Summary of Significant Accounting Policies (Continued)

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 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.

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 (“the 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.

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. The District capitalizes acquired vehicles and equipment in excess of \$5,000.

Deferred Revenue

The District assesses fees to congregations for certain conventions. 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 and to pay for future conventions and conferences.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note B – Summary of Significant Accounting Policies (Continued)

Leases

The District leases office space. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The District recognizes and measures its leases in accordance with ASC 842, Leases. For operating leases, the District recognizes a lease liability and a right-of-use ("ROU") asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. When the implicit lease rate is not provided, the District has elected to use a risk-free rate for a period comparable with that of the lease term in determining the present value of future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received and any impairment recognized. Lease expense is recognized on a straight-line basis over the lease term. The District's lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised.

The District has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have an expected lease term of 12 months or less at lease commencement. The District recognizes lease cost associated with short-term leases on a straight-line basis over the lease term. The District has elected to combine lease and non-lease components into a single combined component.

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 the 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.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note B – Summary of Significant Accounting Policies (Continued)

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 and technology.

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.

Change in Accounting Principle

In June 2016, the FASB issued guidance (FASB ASC 326 Financial Instruments-Credit Losses) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. None of the financial assets held by the District are subject to the guidance in FASB ASC 326. The District adopted the standard effective July 1, 2024 resulting in nominal impact to the District's financial statements at June 30, 2024.

Reclassification

Certain reclassifications have been made to the 2024 financial statements to conform to the current year presentation.

Subsequent Events

The District has evaluated all subsequent events through October 8, 2024, the date the financial statements were available to be issued.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

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:

	<u>2024</u>	<u>2023</u>
Market value	\$ 318,517	\$ 309,071
Less: present value component	<u>(35,489)</u>	<u>(40,683)</u>
	<u>\$ 283,028</u>	<u>\$ 268,388</u>

The maximum growth rate and discount rate utilized in calculating the present value of irrevocable deferred gifts as of June 30, 2024 and 2023, was 3.50%.

Note D – Investments

Investments consist of the following at June 30, 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
LCEF Notes	\$ 800,820	\$ 800,820	\$1,001,279	\$1,001,279
LCMS Foundation - standard moderate balanced fund	<u>4,871,509</u>	<u>4,725,838</u>	<u>4,822,794</u>	<u>4,320,127</u>
	<u>\$ 5,672,329</u>	<u>\$ 5,526,658</u>	<u>\$ 5,824,073</u>	<u>\$ 5,321,406</u>

Investment fees were \$20,864 and \$22,793, respectively, for the years ended June 30, 2024 and 2023.

As of June 30, 2024 and 2023, all investments at LCMS Foundation were held in a combination of the standard moderate balanced fund and the aggressive balanced fund to achieve an approximate mix of (60% stocks/40% bonds) for unrestricted funds and, an approximate mix of (75% stocks/25% bonds) for long-term endowment investments.

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.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

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 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.

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 years ended June 30, 2024 and 2023.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note E – Fair Value Measurements (Continued)

The District did not hold assets that require leveling on the fair value hierarchy as of June 30, 2024 and 2023. Details of investments and fair values of assets measured on a recurring basis at June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
LCEF Notes	\$ 800,820	\$ 1,001,279
LCMS Foundation	<u>4,725,838</u>	<u>4,320,127</u>
Total	<u>\$ 5,526,658</u>	<u>\$ 5,321,406</u>

The following table summarize investments measured at fair value based on NAV per share as of June 30, 2024 and 2023:

<u>Investment Name</u>	<u>Fair Value</u> <u>June 30</u>		<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice</u> <u>Period</u>
	<u>2024</u>	<u>2023</u>			
LCMS Foundation – standard moderate/aggressive balanced fund	<u>\$ 4,725,838</u>	<u>\$ 4,320,127</u>	\$ -	Daily to Monthly	Daily*

Note F – Vehicles and Equipment

Vehicles and equipment at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Office equipment	\$ 45,592	\$ 55,980
Vehicles	<u>163,979</u>	<u>163,979</u>
	<u>209,571</u>	<u>219,959</u>
Less: accumulated depreciation	<u>146,603</u>	<u>134,317</u>
	<u>\$ 62,968</u>	<u>\$ 85,642</u>

Depreciation expense for the years ended June 30, 2024 and 2023 totaled \$29,743 and \$35,237, respectively.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note G – 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 years ended June 30, 2024 and 2023 totaled \$15,396 and \$99,636, respectively. 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, bears an interest rate of 3.88% and it had a balance of zero as of June 30, 2024 and 2023.

Note H – Agreements with Missouri MoScholar

In April of 2022, the District entered into agreement with the State of Missouri (Missouri State Treasurers Office); whereby, the District administers empowerment scholarships under sections 135.712 to 135.719 and 166.700 to 166.720 Revised Statutes of Missouri, to Lutheran Kindergarten - 12th grade students. This scholarship program is incentivized by 100% tax credits. Beginning on July 1, 2022, the District was authorized to raise up to \$1,000,000 in tax credits to be used to provide scholarships to certain Lutheran Students who meet eligibility requirements set by Missouri Statutes. Tax credits are not limited to a specific school year and therefore any unused tax credits carryforward to the next school year.

The District has determined that under this program, it is acting as an agent of the State of Missouri. As such activity related to this program is recorded on the statement of financial position as agency funds.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note H – Agreements with Missouri MoScholar (Continued)

Activity related to this fund is summarized below as of June 30, 2024.

	<u>2023-2024</u> <u>School Year</u>	<u>2024-2025</u> <u>School Year</u>	<u>Total</u>
Beginning balance	\$ 180,719	\$ -	\$ 180,719
Tax credit contributions received	719,100	\$ 90,810	\$ 809,910
4% fee remitted to State of Missouri	(26,269)	(7,272)	(33,541)
Scholarships paid	(867,000)	-	(867,000)
Program expenses paid from tax credits	<u>-</u>	<u>-</u>	<u>-</u>
Held in custody for MoScholar	<u>\$ 6,550</u>	<u>\$ 83,538</u>	<u>\$ 90,088</u>
Program expenses funded by other sources	\$ 20,871	\$ 305	\$ 21,176

Activity related to this fund is summarized below as of June 30, 2023.

	<u>2022-2023</u> <u>School Year</u>	<u>2023-2024</u> <u>School Year</u>	<u>Total</u>
Tax credit contributions received	\$ 479,100	\$ 108,600	\$ 587,700
4% fee remitted to State of Missouri	(19,164)	(2,780)	(21,944)
Scholarships paid	(382,537)	-	(382,537)
Program expenses paid from tax credits	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>
Held in custody for MoScholar	<u>\$ 77,399</u>	<u>\$ 103,320</u>	<u>\$ 180,719</u>
Program expenses funded by other sources	\$ 11,232	\$ 4,277	\$ 15,509

Note I – Lease

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 additional 10-year renewal option was exercised in March 2020. The annual lease amount is set at \$48,741 for 5 years followed by \$68,237 per year for the remainder of the term. The lease amendment contains an opt out clause in March 2025 but the District intends to exercise the lease extension.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note I – Lease (Continued)

The following summarizes the line items in the statement of financial position which include amounts for operating lease as of June 30:

Operating Lease	<u>2024</u>	<u>2023</u>
Right of use asset	\$ 322,426	\$ 373,253
Operating lease liability	\$ 347,582	\$ 385,831

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term		
Operating leases	5.8 years	6.8 years
Weighted average discount rate		
Operating leases	2.88%	2.88%

The maturities of the lease liability as of June 30, 2024 were as follows:

Year ended June 30:	Operating
2025	\$ 53,615
2026	68,237
2027	68,237
2028	68,237
2029	68,237
Thereafter	51,178
Total lease payments	<u>377,741</u>
Less amounts representing interest	<u>(30,159)</u>
Present value of lease liability	<u>\$ 347,582</u>

The following summarizes the line items in the statement of activities which include the components of operating lease expense for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Operating lease expense included in total expenses	\$ 61,319	\$ 61,319

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating lease	\$ 48,741	\$ 48,741

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note J – Net Assets with Donor Restrictions

As of June 30, 2024 and 2023, net assets with donor restrictions comprise of the following:

	<u>2024</u>	<u>2023</u>
Temporary in Nature		
Missions	\$ 372,672	\$ 371,567
Services to congregations and church workers	785,754	517,827
Time Restrictions	<u>8,088</u>	<u>8,696</u>
Total Temporary in Nature	\$ <u>1,166,514</u>	\$ <u>898,090</u>
Perpetual in Nature		
Elementary education	\$ 85,628	\$ 85,628
Missions	1,520,797	1,520,532
Student aid	1,186,016	1,142,915
Other	<u>159,818</u>	<u>150,404</u>
Total Perpetual in Nature	\$ <u>2,952,259</u>	\$ <u>2,899,479</u>
Total Net Assets with Donor Restrictions	\$ <u>4,118,773</u>	\$ <u>3,797,569</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 years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Missions	\$ 269,559	\$ 91,592
Services to congregations and church workers	25,305	199,764
Passage of time	-	50,399
Development	<u>1,948</u>	<u>2,077</u>
	\$ <u>296,812</u>	\$ <u>343,832</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 (underwater endowments). There were no underwater endowments at June 30, 2024 and 2023.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note J – Net Assets with Donor Restrictions (Continued)

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.

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 years ended 2024 and 2023, 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.

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note J – Net Assets with Donor Restrictions (Continued)

Endowment net asset composition by type of fund as of June 30, 2024 and 2023:

<u>With Donor Restrictions</u>	<u>2024</u>	<u>2023</u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,804,424	\$ 2,761,059
Accumulated investment earnings	<u>772,651</u>	<u>500,761</u>
Total funds	<u>\$ 3,577,075</u>	<u>\$ 3,261,820</u>

The change in endowment funds for the years ended June 30, 2024 and 2023, are as follows:

<u>With Donor Restrictions</u>	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 3,261,820	\$ 3,007,792
Additions	43,365	31,891
Investment returns	382,502	314,876
Amounts appropriated for expenditure	<u>(110,612)</u>	<u>(92,739)</u>
Endowment net assets, end of the year	<u>\$ 3,577,075</u>	<u>\$ 3,261,820</u>

Note K – Revenue Recognition

Revenue from Contracts with Customers (ASC 606) affects all contracts entered into with customers that result in a transfer of goods or services or a transfer of non-financial assets. The core principle of the standard is for the District to recognize revenue in a way that depicts the exchange of goods or services to customers in amounts that reflect the consideration or payment to which the District expects to be entitled.

Exchange revenue consists of event and assessment fees charged to the congregations for conferences and conventions including both the District and the Lutheran Church Missouri Synod Conventions. Conventions occur on a rotating three-year cycle. Congregations are charged a rate each year of the three-year cycle. The revenue from the assessment is recorded as deferred revenue until the event occurs. The District does not refund these fees and therefore, no liability for refunds is reported at June 30, 2024 and 2023.

The following table summarizes deferred revenue balances as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Beginning deferred revenue	\$ 285,001	\$ 289,724
Events occurred	(251,659)	(70,178)
Event fees and assessments	<u>120,824</u>	<u>65,455</u>
Ending deferred revenue	<u>\$ 154,166</u>	<u>\$ 285,001</u>

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note K – Revenue Recognition (Continued)

Disaggregation of Revenue

The following tables present revenue disaggregated by revenue source and pattern of revenue recognition:

	Year Ended June 30, 2024		
	<u>Point in Time</u>	<u>Over-Time</u>	<u>Total</u>
Conventions, conferences, workshops	\$ -	\$ 451,286	\$ 451,286
Cooperative ministries	-	15,396	15,396
Total	<u>\$ -</u>	<u>\$ 466,682</u>	<u>\$ 466,682</u>

	Year Ended June 30, 2023		
	<u>Point in Time</u>	<u>Over-Time</u>	<u>Total</u>
Conventions, conferences, workshops	\$ -	\$ 189,836	\$ 189,836
Cooperative ministries	-	99,636	99,636
Total	<u>\$ -</u>	<u>\$ 289,472</u>	<u>\$ 289,472</u>

Note L – 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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Concordia Retirement Plan	\$ 98,851	\$ 92,380
Concordia Disability and Survivor Plan	<u>21,993</u>	<u>21,071</u>
	<u>\$ 120,844</u>	<u>\$ 113,451</u>

THE MISSOURI DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD

Notes to Financial Statements - Continued

June 30, 2024

Note L – Defined Benefit Plan (Continued)

There were no significant changes in the District's relationships. There were also no contingent liabilities associated with the plans at June 30, 2024 and 2023. 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.

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 732,742	\$ 856,237
Investments	5,526,658	5,321,406
Less perpetual in nature restrictions	(2,952,259)	(2,899,479)
Less temporary in nature restrictions (excluding split interest agreements receivables)	<u>(883,486)</u>	<u>(629,702)</u>
	<u>\$ 2,423,655</u>	<u>\$2,648,462</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 \$930,552 as of June 30, 2024 and 2023. The line of credit has no maturity date. See Note G for more information on the line-of-credit.

OTHER AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of The Missouri District of the Lutheran Church-Missouri Synod (the "Missouri District of the Lutheran Church-Missouri Synod"), which comprise the statements of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Missouri District of the Lutheran Church-Missouri Synod's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Missouri District of the Lutheran Church-Missouri Synod's internal control. Accordingly, we do not express an opinion on the effectiveness of the Missouri District of the Lutheran Church-Missouri Synod's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Missouri District of the Lutheran Church-Missouri Synod's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Missouri District of the Lutheran Church-Missouri Synod's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Missouri District of the Lutheran Church-Missouri Synod's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
St. Louis, Missouri

October 8, 2024