



THE  
LUTHERAN CHURCH  
Missouri Synod

Internal Audit Department



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## INTERNAL AUDITOR'S REPORT

Board of Directors  
Mid-South District of  
The Lutheran Church—Missouri Synod  
Cordova, Tennessee

### **Opinion**

We have audited the accompanying financial statements of the Mid-South District of The Lutheran Church—Missouri Synod, which comprise the statement of financial position as of December 31, 2022 and 2021, 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 Mid-South District as of December 31, 2022 and 2021, 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. 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 Mid-South District 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 the 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 Mid-South District'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 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, 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 Mid-South District'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 Mid-South District'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.

THE LUTHERAN CHURCH—MISSOURI SYNOD  
Internal Audit Department



St. Louis, Missouri  
March 31, 2023

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and Cash Equivalents	\$ 1,278,847	\$ 1,361,558
Operating Investments (Note 4)	5,867,079	5,665,866
Accounts Receivable	6,554	9,728
Prepaid Expenses	29,169	24,306
Contributions Receivable (Note 5)	65,641	129,224
Property Held for Sale	400,000	576,389
Finance Lease Right-of-Use Assets - Net (Note 9)	17,269	23,364
Property and Equipment - Net (Note 6)	839,203	890,766
Cash Value of Life Insurance Policies	136,029	130,728
Endowment Investments (Note 4)	310,100	361,704
Beneficial Interests in Perpetual Trusts (Note 4)	<u>118,618</u>	<u>88,223</u>
Total Assets	<u>\$ 9,068,509</u>	<u>\$ 9,261,856</u>
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 58,774	\$ 34,783
Deferred Revenue	4,979	2,924
Grants Payable (Note 7)	99,286	104,349
Finance Lease Liabilities (Note 9)	<u>21,065</u>	<u>27,919</u>
Total Liabilities	<u>184,104</u>	<u>169,975</u>
Net Assets:		
Without Donor Restrictions (Note 10)	6,197,225	6,064,577
With Donor Restrictions (Note 11)	<u>2,687,180</u>	<u>3,027,304</u>
Total Net Assets	<u>8,884,405</u>	<u>9,091,881</u>
Total Liabilities and Net Assets	<u>\$ 9,068,509</u>	<u>\$ 9,261,856</u>

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

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES, &amp; OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 1,571,411	\$	\$ 1,571,411
IMPACT Campaign	94,143		94,143
Assets from Disbanded Congregations	400,042		400,042
LCEF (Note 13)		197,178	197,178
Other	100	451,869	451,969
Revenues -			
Subscriptions	20,715		20,715
Conventions, Conferences, and Workshops	90,954		90,954
Net Investment Return (Loss)	(343,139)	(54,761)	(397,900)
Agreements with LCEF (Note 13)	203,514		203,514
Other	12,838		12,838
Gain on Sale of Fixed Assets	281,889		281,889
Change in Value of Perpetual Trusts		30,395	30,395
Net Assets Released from Restrictions (Note 11)	964,805	(964,805)	-
	<u>3,297,272</u>	<u>(340,124)</u>	<u>2,957,148</u>
Total Support, Revenues, & Other Additions			
<u>EXPENSES:</u>			
Program Services -			
World and National Missions	664,480		664,480
Preparing Church Workers	76,225		76,225
Congregational Health and Services	1,156,582		1,156,582
Ecclesiastical Services	378,052		378,052
District and Synodical Conventions	496		496
Support Services -			
Synodical Budget	443,625		443,625
LCEF	202,986		202,986
Management and General	178,340		178,340
Fund-Raising	63,838		63,838
	<u>3,164,624</u>	<u>-</u>	<u>3,164,624</u>
Total Expenses			
CHANGE IN NET ASSETS	132,648	(340,124)	(207,476)
NET ASSETS - Beginning of Year	6,064,577	3,027,304	9,091,881
NET ASSETS - End of Year	\$ <u>6,197,225</u>	\$ <u>2,687,180</u>	\$ <u>8,884,405</u>

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

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b><u>SUPPORT, REVENUES, &amp; OTHER ADDITIONS:</u></b>			
Support -			
District Congregations (Note 1)	\$ 1,575,617	\$	\$ 1,575,617
IMPACT Campaign	93,067		93,067
Assets from Disbanded Congregation	24,187		24,187
LCEF (Note 13)	99,078		99,078
Other	50	909,691	909,741
Revenues -			
Subscriptions	23,790		23,790
Conventions, Conferences, and Workshops	175,587		175,587
Net Investment Return (Loss)	140,690	39,202	179,892
Agreements with LCEF (Note 13)	186,756		186,756
Other	11,207		11,207
Gain on Sale of Property/Fixed Assets	1,024,462		1,024,462
Gain from Insurance Claims	53,178		53,178
Change in Value of Perpetual Trusts		5,718	5,718
Net Assets Released from Restrictions (Note 11)	<u>632,735</u>	<u>(632,735)</u>	<u>-</u>
Total Support, Revenues, & Other Additions	<u>4,040,404</u>	<u>321,876</u>	<u>4,362,280</u>
<b><u>EXPENSES:</u></b>			
Program Services -			
World and National Missions	737,714		737,714
Preparing Church Workers	78,782		78,782
Congregational Health and Services	533,758		533,758
Ecclesiastical Services	222,197		222,197
District and Synodical Conventions	149,724		149,724
Support Services -			
Synodical Budget	446,780		446,780
LCEF	177,767		177,767
Management and General	172,282		172,282
Fund-Raising	<u>88,277</u>		<u>88,277</u>
Total Expenses	<u>2,607,281</u>	<u>-</u>	<u>2,607,281</u>
CHANGE IN NET ASSETS	1,433,123	321,876	1,754,999
NET ASSETS - Beginning of Year	<u>4,631,454</u>	<u>2,705,428</u>	<u>7,336,882</u>
NET ASSETS - End of Year	\$ <u><u>6,064,577</u></u>	\$ <u><u>3,027,304</u></u>	\$ <u><u>9,091,881</u></u>

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

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES					SUPPORT SERVICES				TOTAL
	World and National Missions	Preparing Church Workers	Congregational Health and Services	Ecclesiastical Services	District and Synodical Conventions	Synodical Budget	LCEF	Management and General	Fund-Raising	
Salaries and Wages	\$ 105,077	\$	\$ 171,360	\$ 183,118	\$	\$	\$ 126,256	\$ 71,711	\$ 39,025	\$ 696,547
Employee Benefits	44,432		58,615	72,636			44,644	28,310	9,325	257,962
Payroll Taxes			4,475	4,330			10,074	5,431	3,044	27,354
Subsidies, Grants, and Other Assistance	491,755	75,997	617,527	331		443,625				1,629,235
Auto Maintenance			4,410	4,767						9,177
Building and Office Expenses	2,618		29,487	18,352	67		8,016	26,853	5,636	91,029
Communications, Publications, and Promotion			34,030	456	429			419	897	36,231
Conventions, Conferences, Workshops, and Meetings	11,937		141,158	26,019				784	158	180,056
Depreciation and Amortization			26,093	16,563			11,597	2,932	2,345	59,530
Equipment Purchases (non-capital) and Maintenance			18,912	3,083				5,512	800	28,307
Fees	345		1,511					6,247	21	8,124
Information Technology		228	1,797	6,512				1,046	1,265	10,848
Insurance			10,083	7,608			824	10,400	415	29,330
Interest								1,048		1,048
Professional Services	5,400		15,150	2,070			1,575	14,899	675	39,769
Staff Training and Development			901	278				311	35	1,525
Travel	2,916		20,445	30,818				1,295	197	55,671
Other			628	1,111				1,142		2,881
Total Expenses by Function	<u>\$ 664,480</u>	<u>\$ 76,225</u>	<u>\$ 1,156,582</u>	<u>\$ 378,052</u>	<u>\$ 496</u>	<u>\$ 443,625</u>	<u>\$ 202,986</u>	<u>\$ 178,340</u>	<u>\$ 63,838</u>	<u>\$ 3,164,624</u>

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



MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES					SUPPORT SERVICES				TOTAL
	World and National Missions	Preparing Church Workers	Congregational Health and Services	Ecclesiastical Services	District and Synodical Conventions	Synodical Budget	LCEF	Management and General	Fund-Raising	
Salaries and Wages	\$ 185,604	\$	\$ 193,425	\$ 90,088	\$	\$	\$ 108,500	\$ 70,631	\$ 54,550	\$ 702,798
Employee Benefits	70,354		42,779	38,414			35,400	26,571	14,653	228,171
Payroll Taxes			2,673	4,075			8,694	7,225	4,259	26,926
Subsidies, Grants, and Other Assistance	462,639	77,550	50,147			446,780				1,037,116
Auto Maintenance			2,170	1,216						3,386
Building and Office Expenses	2,306	4	29,718	14,595	1,223		8,345	23,207	5,591	84,989
Communications, Publications, and Promotion			29,826	446	1,843			732	556	33,403
Conventions, Conferences, Workshops, and Meetings	3,582	1,000	99,121	32,746	117,404			260	260	254,373
Depreciation and Amortization			28,643	10,094			12,976	3,904	3,539	59,156
Equipment Purchases (non-capital) and Maintenance			14,651	2,264	19,630			4,804	915	42,264
Fees	376		3,136		43			5,885	49	9,489
Information Technology	197	228	2,643	5,092				1,382	1,454	10,996
Insurance			10,290	5,417			2,391	8,465	1,275	27,838
Interest								1,331		1,331
Professional Services	5,400		9,248	1,357			1,461	16,421	1,003	34,890
Staff Training and Development			851	90				161	30	1,132
Travel	7,256		14,394	15,726	9,581			924		47,881
Other			43	577				379	143	1,142
Total Expenses by Function	<u>\$ 737,714</u>	<u>\$ 78,782</u>	<u>\$ 533,758</u>	<u>\$ 222,197</u>	<u>\$ 149,724</u>	<u>\$ 446,780</u>	<u>\$ 177,767</u>	<u>\$ 172,282</u>	<u>\$ 88,277</u>	<u>\$ 2,607,281</u>

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

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (207,476)	\$ 1,754,999
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	59,530	59,156
Property from Disbanded Congregation	(400,000)	-
Change in Value of Beneficial Interests in Perpetual Trusts	(30,395)	(5,718)
Net (Gain) Loss on Sale of Fixed Assets	(281,889)	(1,024,462)
Net (Gain) Loss on Investments	586,753	(3,650)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	3,174	(4,858)
Prepaid Expenses	(4,863)	1,985
Contributions Receivable	63,583	(72,600)
Cash Value of Life Insurance Policies	(5,301)	(5,422)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	23,991	1,301
Deferred Revenue	2,055	(218)
Grants Payable	(5,063)	32,066
Net Cash Provided (Used) by Operating Activities	<u>(195,901)</u>	<u>732,579</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Sale of Fixed Assets	899,936	1,248,650
Purchases of Fixed Assets	(43,530)	(31,047)
Proceeds from Sale of Investments	272,903	125,214
Purchases of Investments	(1,009,265)	(1,800,706)
Net Cash Provided (Used) by Investing Activities	<u>120,044</u>	<u>(457,889)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal Repayments on Financing Lease	(6,854)	(6,570)
Net Cash Provided (Used) by Financing Activities	<u>(6,854)</u>	<u>(6,570)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(82,711)	268,120
Cash and Cash Equivalents - Beginning of Year	<u>1,361,558</u>	<u>1,093,438</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,278,847</u>	<u>\$ 1,361,558</u>

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

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

## 1. NATURE OF ORGANIZATION

The Mid-South District (the District), a religious not-for-profit organization, is one of 35 districts of The Lutheran Church—Missouri Synod (the Synod), encompassing 120 congregations in the states of Tennessee, Arkansas and parts of Kentucky. The Synod established its district offices to more effectively achieve its objectives and assist its congregations and their members in conserving and promoting the unity of the faith and in carrying out their mission and ministry.

The District relies on donations from its member congregations for a significant portion of its support. As shown in the Statement of Activities, support from District congregations totaled \$1,571,411 and \$1,575,617 for the years ended December 31, 2022 and 2021, respectively. These donations are subject to fluctuations in the economic status of the areas in which the congregations are located. No provisions have been made for changes in the economic environment. Any significant reduction in the level of this support, however, could have an effect on the District's program and supporting activities.

The costs of providing various programs and other supporting services have been summarized on a functional basis in the Statement of Activities as follows:

- *World and National Missions* – World missions includes the District's personalized world ministry support remitted to the Synod. National missions includes but is not limited to North American new mission work, campus ministries, deaf ministries, ethnic ministries, urban ministries, congregational subsidy, evangelism efforts, and related conferences and events.
- *Preparing Church Workers* – Includes financial aid provided to students normally attending one of the six universities or two seminaries of the Synod.
- *Congregational Health and Services* – Supports District congregational service efforts and includes but is not limited to activities such as Sunday School, confirmation, family life, day care, adult education, outdoor ministry, singles ministry, elementary and secondary education, youth services, worship, human care ministries, stewardship education, and related conferences and events.
- *Ecclesiastical Services* – Includes activities of the president's office, vice-presidents, circuit visitors, reconcilers, and related conferences and events, as well as support of the District Board of Directors and its related committees.
- *District and Synodical Conventions* – Includes all activities and expenses incurred for conducting District and synodical conventions, which are each held every three years. The accompanying financial statements include district convention expenses in fiscal 2021.
- *Synodical Budget* – Includes remittances to the Synod for synodical budget support.
- *LCEF* – Includes the District's support of the national Lutheran Church Extension Fund (LCEF) efforts as discussed in Note 13 (Agreements with LCEF).
- *Management and General* – Includes various mission/ministry support services such as the District's financial and general office operating activities.

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION** (Continued)

- *Fund-Raising* – Includes gift planning support and development activities of the District.

All of these program and support services include the related program and administration expense associated with that particular function.

The Mid-South District of the Synod is an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) and, by virtue of a group tax-exempt ruling to the Synod and its component parts, is exempt from federal income taxes. However, any unrelated business income may be subject to taxation. In addition, the District qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as an organization other than a private foundation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by the District are described below:

**Basis of Accounting**

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

**Use of Estimates**

We use estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates, and those differences could be material.

**Principles of Consolidation**

The accompanying financial statements include all administrative and program offices or departments of the Mid-South District. They do not include the assets, liabilities, and operations of the congregations, schools, and other separately administered operations of the Synod within the District's geographic area.

**Cash, Cash Equivalents, and Restricted Cash**

For financial statement purposes, we consider all cash and highly liquid financial instruments with original maturities of three months or less, which are not held for or restricted by donors for long-term purposes (e.g., for building projects, perpetual endowments), to be cash and cash equivalents. Cash restricted by donors for long-term purposes is shown separately in the Statement of Financial Position.

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments and Net Investment Return/(Loss)**

We record investment purchases at cost, or if donated, at fair value on the date of receipt. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return/(loss) consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses; it is reported in the Statement of Activities based on the existence or absence of donor-imposed restrictions.

**Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected after one year are initially recorded at fair value using present value techniques, incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions/support in the Statement of Activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of current economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible.

**Property and Equipment**

Property and equipment purchases of \$2,500 or more with an estimated useful life greater than one year are capitalized and recorded at cost, or if donated, at fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. A salvage value of up to 25% is used on certain assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. Property held for sale is recorded at the lower of cost or estimated fair value.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from its use and eventual disposition. When considered impaired, an impairment loss is recognized in the Statement of Activities to the extent carrying value exceeds the fair value of the asset.

**Beneficial Interests in Perpetual Trusts**

We have been named as an irrevocable beneficiary of perpetual trusts held and administered by the LCMS Foundation. Perpetual trusts provide for the distribution of the net income of the trusts to the District; however, we will never receive the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the Statement of Activities and a beneficial interest in perpetual trust is recorded in the Statement of Financial Position at the fair value of the underlying trust assets, as determined/calculated by the LCMS Foundation. Thereafter, our beneficial interests in the trusts are reported at the fair value of

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Beneficial Interests in Perpetual Trusts (Continued)**

the trust assets in the Statement of Financial Position, with trust distributions and changes in fair value recognized in the Statement of Activities.

**Grants Payable**

Unconditional promises to give which have been authorized and communicated to the recipient are reported as liabilities and expenses in the period in which the notification to the recipient occurs. If at the time the promise is made, the District expects to make payment in one year or less, the payable is recorded at net settlement value. Unconditional promises that the District expects to pay in more than one year are reported at fair value, which is measured as the present value of the amounts to be paid.

**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. These net assets may be subject to self-imposed limits by action of the governing board. These board-designated net assets may be earmarked for future programs, contingencies, purchase/construction of fixed assets, or for other uses.

*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.

**Contributions and Revenue Recognition**

Contributions are recognized as support in the Statement of Activities when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash that must be used to acquire long-lived assets are reported as support in net assets with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be maintained, we report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Conditional promises to give are not included as support until the conditions on which they depend have been substantially met and the promises become unconditional. Donated services are reported as support in the Statement of Activities at fair value when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions and Revenue Recognition (Continued)**

Revenue is recognized when earned. Program and supporting activity fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

**Functional Allocation of Expenses**

The costs of program and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. The financial statements include certain categories of expenses that are attributable to more than one program and supporting function. Therefore, these expenses require allocation to the programs and supporting services benefited on a basis that is reasonable and consistently applied. The expenses that are allocated include compensation and benefits, which are allocated based on estimates of time and effort, and District office building operations/maintenance expenses, depreciation, equipment purchases and maintenance, and insurance, which are all allocated based on the percentage of overall time and effort spent by the employees in each functional area to the total.

**Taxes**

We follow the accounting standards for contingencies in evaluating uncertain tax positions. This guidance requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit by the applicable regulatory authority, based on the technical merits of the position. These rules also provide guidance on measurement, recognition, classification, interest and penalties, transition, and disclosure requirements for uncertain tax positions. No liability has been recognized by the District for uncertain tax positions as of December 31, 2022 and 2021.

**Financial Instruments and Credit Risk**

We manage deposit concentration risk by placing cash and financial instruments with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in LCEF notes, money market mutual funds, etc. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts and contributions receivable is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from our member congregations or other agencies of the Synod who are supportive of our mission. Investment performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation from year-to-year, we believe the investment policies and guidelines are prudent for the long-term welfare of the organization.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the 2022 financial statement presentation. These reclassifications, however, had no effect on the previously reported total net assets or total change in net assets.

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

The District has evaluated subsequent events through March 31, 2023, the date the financial statements were available to be issued.

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following represents the District's financial assets at December 31, 2022 and 2021, that are available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date:

	December 31	
	2022	2021
Financial Assets:		
Cash and Cash Equivalents	\$ 1,278,847	\$ 1,361,558
Operating Investments	5,867,079	5,665,866
Account Receivable	6,554	9,728
Contributions Receivable	65,641	129,224
Cash Value of Life Insurance Policies	136,029	130,728
Endowment Investments	310,100	361,704
Beneficial Interests in Perpetual Trusts	118,618	88,223
Total Financial Assets at Year-End	7,782,868	7,747,031
Less Those Unavailable for General Expenditures		
Within One Year Due to:		
Donor-Imposed or Contractual Restrictions	(2,687,180)	(3,027,304)
Board Designations:		
Amounts Set Aside for Operating Reserve	(735,892)	(835,705)
Quasi-Endowment Funds for Long-Term Investing	(122,761)	(129,436)
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	\$ <u>4,237,035</u>	\$ <u>3,754,586</u>

The Operating Reserve Fund is a designated fund set aside by action of the Board of Directors. Occasionally, the Board designates a portion of any operating surplus to this operating reserve, which was \$735,892 and \$835,705 at December 31, 2022 and 2021, respectively. The minimum amount to be designated as operating reserves will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The targeted minimum operating reserve is an amount sufficient to maintain ongoing operations and programs for a period of twelve months. Actual calculation of this amount will be based on the cash flow analysis which is completed as a result of the budget each year. This cash flow analysis



MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

displays the projected impact each month's operation has on the cash balance available throughout the budget year.

Although the amount set aside for operating reserves is shown in the above table as unavailable for general expenditures within one year, the funds could be drawn upon if necessary in the event of financial distress or an immediate liquidity need. In addition, our board-designated endowments of \$122,761 and \$129,436 at December 31, 2022 and 2021, respectively, could be made available if necessary, although we do not intend to spend from these board-designated endowments.

The District maintains a 5-year financial projection model based on various assumptions concerning future revenue and expense expectations. These assumptions are based on historical data, analysis of congregational support, and church planting demographics; factoring in a 3% annual inflation factor. As part of its liquidity plan, excess cash is invested in short-term investments, including LCEF certificates. As disclosed in Note 8, the District also has unsecured lines of credit with LCEF which are available to meet cash flow needs.

**4. FAIR VALUE MEASUREMENTS**

We report certain assets and liabilities at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. We consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

A fair value hierarchy is used to disclose the measurement of fair value based on the levels of observable or unobservable inputs as follows:

Level 1 Inputs – Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 Inputs – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. Level 2 inputs include assets or liabilities for which quoted prices are available but traded less frequently and assets or liabilities that are fair valued using similar assets or liabilities, the parameters of which can be directly observed.

Level 3 Inputs – Assets or liabilities have little to no pricing observability as of the measurement date. These items are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**4. FAIR VALUE MEASUREMENTS (Continued)**

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to our assessment of the quality, perceived risk, or liquidity profile of the asset or liability.

The following table presents financial instruments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall, as well as the non-leveled instruments at December 31, 2022:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 3,538,487	\$	\$	\$	\$ 3,538,487
LCMS Foundation:					
Moderate Balanced	1,108,287				1,108,287
Core Bond	169,863				169,863
Domestic Equity	120,923				120,923
International Equity	45,232				45,232
High Yield	90,236				90,236
Cash	11				11
Mutual Fund	794,040	794,040			
	<u>\$ 5,867,079</u>	<u>\$ 794,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,073,039</u>
Beneficial Interests in					
Perpetual Trusts	<u>\$ 118,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,618</u>	<u>\$ -</u>
Endowment Investments -					
LCEF Notes	\$ 122,761	\$	\$	\$	\$ 122,761
LCMS Foundation:					
Moderate Balanced	-				
Cash	81,098				81,098
Mutual Fund	106,241	105,066			1,175
	<u>\$ 310,100</u>	<u>\$ 105,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,034</u>

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**4. FAIR VALUE MEASUREMENTS (Continued)**

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2022:

	Balance 12/31/2021	Net New or (Matured) Gifts	Change in Value	Balance 12/31/2022
Perpetual Trusts	\$ 88,223	\$ -	\$ 30,395	\$ 118,618

The following table presents financial instruments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall, as well as the non-leveled instruments at December 31, 2021:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 3,044,463	\$	\$	\$	\$ 3,044,463
LCMS Foundation:					
Moderate Balanced	1,307,241				1,307,241
Core Bond	196,462				196,462
Domestic Equity	147,463				147,463
International Equity	109,685				109,685
High Yield	49,814				49,814
Cash	1,092				1,092
Mutual Fund	809,646	809,646			
	\$ 5,665,866	\$ 809,646	\$ -	\$ -	\$ 4,856,220
Beneficial Interests in					
Perpetual Trusts	\$ 88,223	\$ -	\$ -	\$ 88,223	\$ -
Endowment Investments -					
LCEF Notes	\$ 139,863	\$	\$	\$	\$ 139,863
LCMS Foundation:					
Moderate Balanced	97,537				97,537
Cash	1,399				1,399
Mutual Fund	122,905	122,905			
	\$ 361,704	\$ 122,905	\$ -	\$ -	\$ 238,799

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**4. FAIR VALUE MEASUREMENTS (Continued)**

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

	Balance 12/31/2020	Net New or (Matured) Gifts	Change in Value	Balance 12/31/2021
Perpetual Trusts	\$ 82,505	\$ -	\$ 5,718	\$ 88,223

A portion of our endowment investments is classified within Level 1 because they comprise marketable securities with readily determinable fair values based on daily redemption values. The fair value of our beneficial interests in perpetual trusts is based on the fair values of the trust investments as reported by the trustee, the LCMS Foundation. This is considered a Level 3 measurement.

The District uses the net asset value (NAV) per share as a practical expedient to estimate the fair values of investments in the LCMS Foundation common funds, which do not have readily determinable fair values. These investments are not classified within the fair value hierarchy as shown in the above tables. All investments measured at fair value based on NAV per share as of December 31, 2022 and 2021, are summarized below:

	2022	2021
LCMS Foundation Common Funds:		
Fair Value	\$ 1,534,552	\$ 1,811,757
Unfunded Commitments	\$ -	\$ -
Redemption Frequency	Daily	Daily
Redemption Notice Period	Daily	Daily

The LCMS Foundation carries out its investment management services through various common funds to invest the assets entrusted to it. A common fund pools the assets of numerous smaller accounts to provide for greater diversification and ease of investment management. Holders of a common fund are called participants; the District is such a participant. Participants buy and sell units of the common fund asset. In order to determine the price per unit of a common fund, all assets held by the common fund (which can include individual securities or units of other common funds) are valued as of the end of the month (the valuation date). This value is divided by the total number of units held by the participants in the common fund to determine the per-unit value. Transactions in the common fund (either purchases or redemptions) are calculated based on the per-unit value on the valuation date.

During the valuation process, the common funds accrue income and expenses for the valuation period. The net income to the funds is divided by the total number of units held by participants for the valuation period to establish the income per unit factor. Each participant receives an allocation of the net income determined by multiplying the income per unit factor times the number of units held by the participant of the common fund. Net realized and termination gains in LCMS Foundation

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**4. FAIR VALUE MEASUREMENTS (Continued)**

common funds are also calculated and distributed annually to the participants.

The LCMS Foundation's Moderate Balanced Fund is a moderate risk investment focused on providing modest income generation with a potential for growth; the portfolio holds both fixed income bonds (50%) and domestic and international securities (50%). The Core Bond Fund is a low risk investment focused on fixed income; the portfolio holds government issues, mortgage-backed securities, and investment grade corporate bonds with a wide range of maturities. The Domestic Equity fund is a higher risk investment designed to provide exposure to the entire United States equity market; the portfolio holds common stock issued by domestic corporations and traded on domestic exchanges. The International Equity fund is a higher risk investment designed to invest in securities of both developed and emerging markets; the portfolio holds common stock issued by foreign corporations traded on foreign exchanges. The High Yield Bond Fund is low to moderate risk investment focused on fixed income; the portfolio holds bonds and short-term bank loans that are lower in quality and pay interest that are higher than investment grade bonds.

**5. CONTRIBUTIONS RECEIVABLE**

At December 31, 2022 and 2021, we had unconditional promises to give to the District from our member congregations and others totaling \$65,641 and \$129,224, respectively. All amounts were received by the District shortly after the respective fiscal year-end.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	December 31	
	2022	2021
Land	\$ 235,505	\$ 258,649
Office Building	956,948	944,958
Mission Property	-	92,572
Office Furnishings and Equipment	208,622	215,732
Vehicles	122,509	90,969
	<u>1,523,584</u>	<u>1,602,880</u>
Less: Accumulated Depreciation	<u>(684,381)</u>	<u>(712,114)</u>
Net Property and Equipment	<u>\$ 839,203</u>	<u>\$ 890,766</u>

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**7. GRANTS PAYABLE**

The District has unconditionally promised to give to the Synod and various unrelated entities \$99,286 and \$104,349 at December 31, 2022 and 2021, respectively. These amounts are expected to be paid within one year of the respective fiscal year-end.

**8. LINE OF CREDIT**

LCEF establishes a line of credit for each participating district based on the district's program performance; this line of credit is evaluated and adjusted by LCEF annually in July. As of and for the years ended December 31, 2022 and 2021, we had an unsecured line of credit with LCEF in the amount of \$150,483 and \$249,992, respectively. Borrowings under this line would bear interest at the current rate of 3.875%. As of and during the years ended December 31, 2022 and 2021, there were no borrowings against this line of credit.

**9. FINANCE LEASE**

We lease certain office equipment at various terms under a long-term, non-cancellable finance lease agreement. As shown in the Statement of Financial Position, at December 31, 2022 and 2021, these right-of-use assets totaled \$17,269 (cost of \$30,474 less accumulated amortization of \$13,205) and \$23,364 (cost of \$30,474 less accumulated amortization of \$7,110), respectively. The related finance lease liabilities totaled \$21,065 and \$27,919, respectively, as of those dates. These finance lease agreements will expire in October 2025 with no renewal options. Future minimum principal payments, based on an interest rate of 4.226%, are as follows:

Year Ending December 31	
2023	\$ 7,149
2024	7,457
2025	<u>6,459</u>
Total Principal Payments	<u>\$ 21,065</u>

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**10. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of the following:

	December 31	
	2022	2021
Undesignated	\$ 2,098,377	\$ 2,398,592
Designated by Board for:		
World and National Missions	2,901,075	2,453,269
Congregational Health and Services	13,839	13,839
District and Synodical Conventions	12,077	12,077
Management and General	313,204	221,659
Operating Reserve	735,892	835,705
Quasi-Endowments - Preparing Church Workers	122,761	129,436
	<u>\$ 6,197,225</u>	<u>\$ 6,064,577</u>

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31	
	2022	2021
Purpose Restrictions:		
World and National Missions	\$ 1,346,647	1,277,156
Preparing Church Workers	11,792	19,078
Congregational Health and Services	118,915	411,893
Management and General	930	930
	<u>1,478,284</u>	<u>1,709,057</u>
Time Restrictions:		
Cash Value of Life Insurance Policies	<u>136,029</u>	<u>130,728</u>
Endowments:		
Corpus (Perpetual) -		
Preparing Church Workers	102,352	102,352
Congregational Health and Services	91,331	91,331
Underwater Endowments	(9,059)	-
	<u>184,624</u>	<u>193,683</u>
Term Endowments -		
World and National Missions	763,651	880,302
Congregational Health and Services	5,974	7,153
	<u>769,625</u>	<u>887,455</u>
Net Investment Return Subject to Appropriation and Expenditure; Restricted by Donors for:		
Preparing Church Workers	-	10,553
Congregational Health and Services	-	7,605
	<u>-</u>	<u>18,158</u>
Total Endowments	<u>954,249</u>	<u>1,099,296</u>
Beneficial Interests in Perpetual Trusts	<u>118,618</u>	<u>88,223</u>
	<u>\$ 2,687,180</u>	<u>\$ 3,027,304</u>

(Continued)



MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose, or by occurrence of the passage of time or other events specified by the donors as follows:

	December 31	
	2022	2021
Satisfaction of Purpose Restrictions:		
World and National Missions	\$ 330,808	\$ 522,822
Preparing Church Workers	34,064	54,351
Congregational Health and Services	599,933	55,562
	\$ 964,805	\$ 632,735

**12. ENDOWMENT FUNDS**

Our endowment (the Endowment) consists of seven individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The District classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board of Directors appropriates amounts for expenditure and any purpose restrictions have been met. Our Board has interpreted the Tennessee enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument. Donor-restricted amounts not retained in perpetuity are subject to appropriation and expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the District
- The investment policies of the District

MID-SOUTH DISTRICT of  
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NOTES TO FINANCIAL STATEMENTS

**12. ENDOWMENT FUNDS (Continued)**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, one donor-restricted endowment fund with an original value of \$91,331, fair value of \$82,272, and deficiencies of \$9,059 were reported in net assets with donor restrictions. There were no underwater endowments as of December 31, 2021.

*Investment and Spending Policies* – Endowment assets are currently being managed and invested by the Executive Director for Business and Finance in consultation with the District President. Endowment assets include those assets of donor-restricted endowment funds the District must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. The District has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. In order to accomplish the District's endowment investment objectives, funds are invested in a mix of LCEF term notes, fixed income securities, and equity securities. Exceptions to this policy may be granted by the Finance Committee of the Board of Directors if the donor specifies an alternate financial institution. The Finance Committee reviews the endowment investments and their performance on an annual basis.

As of December 31, 2022 and 2021, we had the following endowment net asset composition by fund type:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2022</u>			
Board-Designated Endowment Funds	\$ 122,761	\$	\$ 122,761
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,683	193,683
Term Endowments		769,625	769,625
Accumulated Investment Return (Loss)		(16,345)	(16,345)
Total Endowment	<u>\$ 122,761</u>	<u>\$ 946,963</u>	<u>\$ 1,069,724</u>
<u>December 31, 2021</u>			
Board-Designated Endowment Funds	\$ 129,436	\$	\$ 129,436
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,683	193,683
Term Endowments		887,455	887,455
Accumulated Investment Return		18,158	18,158
Total Endowment	<u>\$ 129,436</u>	<u>\$ 1,099,296</u>	<u>\$ 1,228,732</u>

(Continued)

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**12. ENDOWMENT FUNDS (Continued)**

Changes in the endowment net assets for the years ended December 31, 2022 and 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year Ended December 31, 2022</u>			
Endowment Net Assets - Beginning of Year	\$ 129,436	\$ 1,099,296	\$ 1,228,732
Net Investment Return	2,225	(24,269)	(22,044)
Contributions			-
Appropriation of Endowment			
Assets for Expenditure		(128,064)	(128,064)
Distribution from Board-Designated Endowment	(8,900)		(8,900)
Additions to Board-Designated Endowment			-
	<u>122,761</u>	<u>946,963</u>	<u>1,069,724</u>
Endowment Net Assets - End of Year	\$ <u>122,761</u>	\$ <u>946,963</u>	\$ <u>1,069,724</u>
<u>Year Ended December 31, 2021</u>			
Endowment Net Assets - Beginning of Year	\$ 138,128	\$ 1,203,374	\$ 1,341,502
Net Investment Return	1,735	34,103	35,838
Contributions		2,131	2,131
Appropriation of Endowment			
Assets for Expenditure		(140,312)	(140,312)
Distribution from Board-Designated Endowment	(10,427)		(10,427)
Additions to Board-Designated Endowment			-
	<u>129,436</u>	<u>1,099,296</u>	<u>1,228,732</u>
Endowment Net Assets - End of Year	\$ <u>129,436</u>	\$ <u>1,099,296</u>	\$ <u>1,228,732</u>

**13. SUPPORT AND REVENUE FROM THE LUTHERAN CHURCH EXTENSION FUND**

*Distribution of LCEF Operating Results* – Based on LCEF’s annual operating performance, earnings distributions are made available to its partner districts. LCEF operating results are generally restricted for specific mission and ministry programs of the respective district or they can be unrestricted, and are distributed upon request. During the years ended December 31, 2022 and 2021, the District requested and received unrestricted distributions of LCEF operating results totaling

MID-SOUTH DISTRICT of  
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NOTES TO FINANCIAL STATEMENTS

**13. SUPPORT AND REVENUE FROM THE LUTHERAN CHURCH EXTENSION FUND**  
(Continued)

\$197,178 and \$99,078, respectively. These distributions are reflected in the Statement of Activities as support from LCEF in net assets without donor restrictions.

*Agreements with LCEF* – In accordance with certain agreements, which are subject to renegotiation each July, LCEF agreed to compensate and reimburse the District for certain expenses incurred by us in connection with LCEF's functions taking place at or through the District Office, through personnel employed by the District. The agreements require LCEF to pay the District a fixed amount on a monthly basis. The amounts received by the District in connection with these agreements during the years ended December 31, 2022 and 2021, totaled \$203,514 and \$186,756, respectively, which is reported in the Statement of Activities as revenue in net assets without donor restrictions.

**14. DEFINED BENEFIT PLAN**

The District participates in the worker benefit plans of the Synod, including the Concordia Retirement Plan (CRP). The CRP provides individuals with post-retirement benefits. Substantially all full-time employees (those employed more than 20 hours per week and at least five months per year) are covered by the CRP. Employees are vested after five years of creditable service. The District contributes a fixed percentage of each participant's salary to the CRP. Retirement plan expenses for the years ended December 31, 2022 and 2021, totaled \$56,082 and \$54,740, respectively.

There were no significant changes in the District's relationship to the CRP during fiscal 2022 or 2021. There were also no contingent liabilities associated with the CRP at December 31, 2022 or 2021. Currently, the District has no intention to withdraw from the CRP; the District's contributions and level of participation represent a small percentage of the CRP as a whole.