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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, 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 Mid-South District as of December 31, 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. 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 10, 2025

MID-SOUTH DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and Cash Equivalents	\$ 1,698,315	\$ 1,334,129
Operating Investments (Note 4)	7,197,294	6,728,299
Accounts Receivable	2,084	5,976
Prepaid Expenses	6,096	5,126
Contributions Receivable (Note 5)	68,230	61,876
Property Held for Sale	186,200	-
Finance Lease Right-of-Use Assets - Net (Note 9)	5,079	11,174
Property and Equipment - Net (Note 6)	861,301	881,761
Cash Value of Life Insurance Policies	157,612	142,942
Beneficial Interests in Charitable Trusts (Note 4)	191,098	-
Endowment Investments (Note 4)	592,813	591,055
Beneficial Interests in Perpetual Trusts (Note 4)	<u>141,397</u>	<u>132,280</u>
Total Assets	<u>\$ 11,107,519</u>	<u>\$ 9,894,618</u>
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 78,058	\$ 89,970
Deferred Revenue	5,926	2,184
Grants Payable (Note 7)	166,890	101,085
Finance Lease Liability (Note 9)	<u>6,459</u>	<u>13,916</u>
Total Liabilities	<u>257,333</u>	<u>207,155</u>
Net Assets:		
Without Donor Restrictions (Note 10)	7,676,213	7,101,280
With Donor Restrictions (Note 11)	<u>3,173,973</u>	<u>2,586,183</u>
Total Net Assets	<u>10,850,186</u>	<u>9,687,463</u>
Total Liabilities and Net Assets	<u>\$ 11,107,519</u>	<u>\$ 9,894,618</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, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 1,682,132	\$	\$ 1,682,132
IMPACT Campaign	310,946		310,946
Assets from Disbanded Congregations	186,200		186,200
Distribution of LCEF Operating Results and Grants		98,005	98,005
Synod		27,846	27,846
Other	20,124	587,433	607,557
Revenues -			
Subscriptions	17,862		17,862
Conventions, Conferences, and Workshops	87,949		87,949
Net Investment Return (Loss)	359,555	101,381	460,936
Agreements with LCEF (Note 13)	101,430		101,430
Other	37,322		37,322
Change in Value of Perpetual Trusts		9,117	9,117
Net Assets Released from Restrictions (Note 11)	235,992	(235,992)	-
	<u>3,039,512</u>	<u>587,790</u>	<u>3,627,302</u>
Total Support, Revenues, & Other Additions			
<u>EXPENSES:</u>			
Program Services -			
World and National Missions	373,948		373,948
Preparing Church Workers	69,970		69,970
Congregational Health and Services	726,480		726,480
Ecclesiastical Services	296,965		296,965
District and Synodical Conventions	57		57
Support Services -			
Synodical Budget	479,640		479,640
LCEF	91,001		91,001
Management and General	259,762		259,762
Fund-Raising	166,756		166,756
	<u>2,464,579</u>	<u>-</u>	<u>2,464,579</u>
Total Expenses			
CHANGE IN NET ASSETS	574,933	587,790	1,162,723
NET ASSETS - Beginning of Year	<u>7,101,280</u>	<u>2,586,183</u>	<u>9,687,463</u>
NET ASSETS - End of Year	\$ <u><u>7,676,213</u></u>	\$ <u><u>3,173,973</u></u>	\$ <u><u>10,850,186</u></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, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 1,605,838	\$	\$ 1,605,838
IMPACT Campaign	347,104		347,104
Assets from Disbanded Congregations	289,916		289,916
Other	3,000	259,915	262,915
Revenues -			
Subscriptions	25,635		25,635
Conventions, Conferences, and Workshops	159,210		159,210
Net Investment Return (Loss)	346,184	99,778	445,962
Agreements with LCEF (Note 13)	207,897		207,897
Other	25,741		25,741
Gain on Sale of Property/Fixed Assets	12,912		12,912
Change in Value of Perpetual Trusts		13,662	13,662
Net Assets Released from Restrictions (Note 11)	<u>474,352</u>	<u>(474,352)</u>	<u>-</u>
Total Support, Revenues, & Other Additions	<u>3,497,789</u>	<u>(100,997)</u>	<u>3,396,792</u>
<u>EXPENSES:</u>			
Program Services -			
World and National Missions	443,301		443,301
Preparing Church Workers	81,340		81,340
Congregational Health and Services	663,588		663,588
Ecclesiastical Services	397,642		397,642
District and Synodical Conventions	80,662		80,662
Support Services -			
Synodical Budget	456,751		456,751
LCEF	193,772		193,772
Management and General	194,937		194,937
Fund-Raising	<u>81,741</u>		<u>81,741</u>
Total Expenses	<u>2,593,734</u>	<u>-</u>	<u>2,593,734</u>
CHANGE IN NET ASSETS	904,055	(100,997)	803,058
NET ASSETS - Beginning of Year	<u>6,197,225</u>	<u>2,687,180</u>	<u>8,884,405</u>
NET ASSETS - End of Year	<u>\$ 7,101,280</u>	<u>\$ 2,586,183</u>	<u>\$ 9,687,463</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, 2024

	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	\$	\$	\$ 206,700	\$ 100,264	\$	\$	\$ 49,500	\$ 114,370	\$ 75,442	\$ 546,276
Employee Benefits	3,811		54,959	46,324			21,285	58,355	11,785	196,519
Payroll Taxes			6,736	2,578			3,952	8,610	5,820	27,696
Subsidies, Grants, and Other Assistance	351,030	69,916	40,041	1,500		479,640				942,127
Auto Maintenance			3,958	1,950						5,908
Building and Office Expenses	54		35,586	22,505	33		4,287	22,903	15,926	101,294
Communications, Publications, and Promotion			43,813	1,105	4			536	1,055	46,513
Conventions, Conferences, Workshops, and Meetings	5,214		188,331	28,486				1,150	383	223,564
Depreciation and Amortization			32,616	17,938			10,318	4,055	7,028	71,955
Equipment Purchases (non-capital) and Maintenance			26,522	5,236			100	10,035	1,991	43,884
Fees	230		1,465					7,464	120	9,279
Information Technology		54	2,423	14,969				1,410	2,912	21,768
Insurance			13,736	8,306			855	7,281	3,615	33,793
Interest								445		445
Professional Services	10,500		49,502	2,375			704	18,416	39,535	121,032
Staff Training and Development			6,600	156				1,253	60	8,069
Travel	3,109		13,337	42,763	20			2,519	421	62,169
Other			155	510				960	663	2,288
Total Expenses by Function	\$ 373,948	\$ 69,970	\$ 726,480	\$ 296,965	\$ 57	\$ 479,640	\$ 91,001	\$ 259,762	\$ 166,756	\$ 2,464,579

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, 2023

	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	\$ 84,750	\$	\$ 155,318	\$ 178,924	\$	\$	\$ 119,876	\$ 76,050	\$ 46,903	\$ 661,821
Employee Benefits	45,197		42,957	80,649			45,130	35,655	9,533	259,121
Payroll Taxes			5,130	4,425			8,355	5,752	4,801	28,463
Subsidies, Grants, and Other Assistance	276,080	81,000	134,965	4,000		456,751				952,796
Auto Maintenance			3,973	2,846						6,819
Building and Office Expenses	3,090		30,809	21,673			7,657	28,683	9,077	100,989
Communications, Publications, and Promotion			42,480	1,331	1,483			283	3,228	48,805
Conventions, Conferences, Workshops, and Meetings	19,643		120,423	47,225	46,163			1,290	204	234,948
Depreciation and Amortization			25,992	12,539			9,265	3,188	3,612	54,596
Equipment Purchases (non-capital) and Maintenance			14,866	2,936				6,205	821	24,828
Fees	388		799					6,380	43	7,610
Information Technology		340	1,939	6,644				875	1,284	11,082
Insurance			11,803	7,572			2,173	7,778	1,198	30,524
Interest								753		753
Professional Services	7,400		49,306	4,386			1,316	17,044	973	80,425
Staff Training and Development			1,081	180				1,030	35	2,326
Travel	6,753		21,555	22,085	33,016			1,774	29	85,212
Other			192	227				2,197		2,616
Total Expenses by Function	<u>\$ 443,301</u>	<u>\$ 81,340</u>	<u>\$ 663,588</u>	<u>\$ 397,642</u>	<u>\$ 80,662</u>	<u>\$ 456,751</u>	<u>\$ 193,772</u>	<u>\$ 194,937</u>	<u>\$ 81,741</u>	<u>\$ 2,593,734</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,162,723	\$ 803,058
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	71,955	54,596
Property from Disbanded Congregation	(186,200)	(250,000)
Change in Value of Beneficial Interests in Perpetual Trusts	(9,117)	(13,662)
Net (Gain) Loss on Sale of Property/Fixed Assets	-	(12,912)
Net (Gain) Loss on Investments	(116,935)	(200,298)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	3,892	578
Prepaid Expenses	(970)	24,043
Contributions Receivable	(6,354)	3,765
Beneficial Interests in Charitable Trusts	(191,098)	-
Cash Value of Life Insurance Policies	(14,670)	(6,913)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(11,912)	31,196
Deferred Revenue	3,742	(2,795)
Grants Payable	65,805	1,799
Net Cash Provided (Used) by Operating Activities	<u>770,861</u>	<u>432,455</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Property/Fixed Assets	-	682,389
Purchases of Fixed Assets	(45,400)	(110,536)
Proceeds from Sale of Investments	90,679	198,297
Purchases of Investments	(444,497)	(1,140,174)
Net Cash Provided (Used) by Investing Activities	<u>(399,218)</u>	<u>(370,024)</u>
Cash Flows from Financing Activities:		
Principal Repayments on Financing Lease	(7,457)	(7,149)
Net Cash Provided (Used) by Financing Activities	<u>(7,457)</u>	<u>(7,149)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	364,186	55,282
Cash and Cash Equivalents - Beginning of Year	<u>1,334,129</u>	<u>1,278,847</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,698,315</u>	<u>\$ 1,334,129</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 117 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 \$1,682,132 and \$1,605,838 for the years ended December 31, 2024 and 2023, 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 universities or 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 synodical convention expenses in fiscal 2023.
- *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 Charitable Trusts Held by Others

We have been named as an irrevocable beneficiary of several charitable trusts. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we have neither possession nor control over the assets of the trusts; the assets are being held by the Lutheran Church—Missouri Synod Foundation (LCMS Foundation). At the date we receive notice of a beneficial interest, a contribution with donor restrictions is recorded in the Statement of Activities and a beneficial interest in charitable trusts held by others is recorded in the Statement of Financial Position at fair value, as determined/calculated by the LCMS Foundation. The trust agreements are re-valued annually by the LCMS Foundation and any resulting actuarial gain or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interests in Charitable Trusts Held by Others (Continued)

loss is reflected in the Statement of Activities as a change in value of beneficial interests in charitable trusts.

Upon receipt of trust distributions, and when any purpose restrictions have been met, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to a specific endowment, in which case, net assets with donor restrictions are not released.

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 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2024 and 2023.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk (Continued)

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.

Subsequent Events

The District has evaluated subsequent events through March 10, 2025, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the 2024 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
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NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the District's financial assets at December 31, 2024 and 2023, 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	
	2024	2023
Financial Assets:		
Cash and Cash Equivalents	\$ 1,663,315	\$ 1,334,129
Operating Investments	7,197,294	6,728,299
Account Receivable	2,084	5,976
Contributions Receivable	68,230	61,876
Cash Value of Life Insurance Policies	157,612	142,942
Beneficial Interests in Charitable Trusts	191,098	-
Endowment Investments	592,813	591,055
Beneficial Interests in Perpetual Trusts	141,397	132,280
Total Financial Assets at Year-End	10,013,843	8,996,557
Less Those Unavailable for General Expenditures		
Within One Year Due to:		
Donor-Imposed or Contractual Restrictions	(3,173,973)	(2,586,183)
Board Designations:		
Amounts Set Aside for Operating Reserve	(890,376)	(818,158)
Quasi-Endowment Funds for Long-Term Investing	(366,798)	(381,318)
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	\$ 5,582,696	\$ 5,210,898

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 \$890,376 and \$818,158 at December 31, 2024 and 2023, 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 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 \$366,798 and \$381,318 at December 31, 2024 and 2023, respectively, could be made available if necessary, although we do not intend to spend from these board-designated endowments.

MID-SOUTH DISTRICT of
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NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 an unsecured line of credit with LCEF which is 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.

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.

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4. FAIR VALUE MEASUREMENTS (Continued)

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, 2024:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 4,347,603	\$	\$	\$	\$ 4,347,603
LCMS Foundation:					
Moderate Balanced	1,364,562				1,364,562
Core Bond	173,995				173,995
Domestic Equity	176,602				176,602
International Equity	103,464				103,464
High Yield Bond	48,348				48,348
Cash	19				19
Mutual Fund	982,701	982,701			
	<u>\$ 7,197,294</u>	<u>\$ 982,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,214,593</u>
Beneficial Interests in					
Charitable Trusts	<u>\$ 191,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,098</u>	<u>\$ -</u>
Perpetual Trusts	<u>\$ 141,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,397</u>	<u>\$ -</u>
Endowment Investments -					
LCEF Notes	\$ 366,798	\$	\$	\$	\$ 366,798
LCMS Foundation:					
Moderate Balanced	93,363				93,363
Cash	1,758				1,758
Mutual Fund	130,894	130,894			
	<u>\$ 592,813</u>	<u>\$ 130,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,919</u>

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, 2024:

	Balance 12/31/2023	Net New or (Matured) Gifts	Change in Value	Balance 12/31/2024
Charitable Trusts	<u>\$ -</u>	<u>\$ 191,098</u>	<u>\$ -</u>	<u>\$ 191,098</u>
Perpetual Trusts	<u>\$ 132,280</u>	<u>\$ -</u>	<u>\$ 9,117</u>	<u>\$ 141,397</u>

MID-SOUTH DISTRICT of
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4. FAIR VALUE MEASUREMENTS (Continued)

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, 2023:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 4,106,203	\$	\$	\$	\$ 4,106,203
LCMS Foundation:					
Moderate Balanced	1,250,363				1,250,363
Core Bond	177,393				177,393
Domestic Equity	148,593				148,593
International Equity	102,376				102,376
High Yield Bond	48,119				48,119
Cash	22				22
Mutual Fund	895,230	895,230			
	<u>\$ 6,728,299</u>	<u>\$ 895,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,833,069</u>
Beneficial Interests in					
Perpetual Trusts	<u>\$ 132,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,280</u>	<u>\$ -</u>
Endowment Investments -					
LCEF Notes	\$ 381,318	\$	\$	\$	\$ 381,318
LCMS Foundation:					
Moderate Balanced	88,797				88,797
Cash	1,668				1,668
Mutual Fund	119,272	119,272			
	<u>\$ 591,055</u>	<u>\$ 119,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,783</u>

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, 2023:

	Balance 12/31/2022	Net New or (Matured) Gifts	Change in Value	Balance 12/31/2023
Perpetual Trusts	<u>\$ 118,618</u>	<u>\$ -</u>	<u>\$ 13,662</u>	<u>\$ 132,280</u>

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

4. FAIR VALUE MEASUREMENTS (Continued)

A portion of our operating and 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 charitable and 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, 2024 and 2023, are summarized below:

	<u>2024</u>	<u>2023</u>
LCMS Foundation Common Funds:		
Fair Value	\$ 1,962,111	\$ 1,817,331
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 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

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NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS (Continued)

securities of both developed and emerging markets; the portfolio holds common stock issued by foreign corporations and traded on foreign exchanges. The High Yield Bond Fund is a low to moderate risk investment focused on fixed income; the portfolio holds short-term bank loans and bonds that are lower in quality and pay interest rates that are higher than investment grade bonds.

5. CONTRIBUTIONS RECEIVABLE

At December 31, 2024 and 2023, we had unconditional promises to give to the District from our member congregations totaling \$68,230 and \$61,876, 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	
	2024	2023
Land	\$ 235,505	\$ 235,505
Office Building	965,278	962,877
Office Furnishings and Equipment	208,622	208,622
Disaster Relief Equipment	97,481	54,482
Vehicles	109,019	109,019
	<u>1,615,905</u>	<u>1,570,505</u>
Less: Accumulated Depreciation	<u>(754,604)</u>	<u>(688,744)</u>
Net Property and Equipment	<u>\$ 861,301</u>	<u>\$ 881,761</u>

7. GRANTS PAYABLE

The District has unconditionally promised to give to the Synod and various unrelated entities \$131,890 and \$101,085 at December 31, 2024 and 2023, 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, 2024 and 2023, we had an unsecured line of credit with LCEF in the amount of \$181,928 and \$143,521, respectively. Borrowings under this line would bear interest at the current rate of 5.375%. As of and during the years ended December 31, 2024 and 2023, there were no borrowings against this line of credit.

MID-SOUTH DISTRICT of
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NOTES TO FINANCIAL STATEMENTS

9. FINANCE LEASE RIGHT-OF-USE ASSETS AND LEASE LIABILITY

We lease certain office equipment under a long-term, non-cancellable finance lease agreement, which expires in October 2025 with no renewal options. As shown in the Statement of Financial Position, these right-of-use assets totaled \$5,079 (cost of \$30,474 less accumulated amortization of \$25,395) and \$11,174 (cost of \$30,474 less accumulated amortization of \$19,300) at December 31, 2024 and 2023, respectively. The related finance lease liability totaled \$6,459 and \$13,916, respectively, as of those dates.

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	December 31	
	2024	2023
Undesignated	\$ 1,926,130	\$ 1,794,280
Designated by Board for:		
World and National Missions	4,058,316	3,793,529
Congregational Health and Services	33,942	13,839
District and Synodical Conventions	12,077	12,077
Management and General	388,574	288,079
Operating Reserve	890,376	818,158
Quasi-Endowments - Preparing Church Workers	366,798	381,318
Total Board-Designated	<u>5,750,083</u>	<u>5,307,000</u>
	<u>\$ 7,676,213</u>	<u>\$ 7,101,280</u>

MID-SOUTH DISTRICT of
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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	
	2024	2023
Purpose Restrictions:		
World and National Missions	\$ 1,375,124	1,351,594
Preparing Church Workers	5,100	5,100
Congregational Health and Services	453,153	93,643
Management and General	1,130	930
	<u>1,834,507</u>	<u>1,451,267</u>
Time Restrictions:		
Cash Value of Life Insurance Policies	157,612	142,942
Beneficial Interests in Charitable Trusts	191,098	-
	<u>348,710</u>	<u>142,942</u>
Endowments:		
Corpus (Perpetual) -		
Preparing Church Workers	102,352	102,352
Congregational Health and Services	91,331	91,331
Underwater Endowments	-	-
	<u>193,683</u>	<u>193,683</u>
Term Endowments -		
World and National Missions	629,928	655,458
Congregational Health and Services	3,416	4,499
	<u>633,344</u>	<u>659,957</u>
Net Investment Return Subject to Appropriation and Expenditure; Restricted by Donors for:		
Preparing Church Workers	18,541	6,920
Congregational Health and Services	3,791	(866)
	<u>22,332</u>	<u>6,054</u>
Total Endowments	<u>849,359</u>	<u>859,694</u>
Beneficial Interests in Perpetual Trusts	<u>141,397</u>	<u>132,280</u>
	<u>\$ 3,173,973</u>	<u>\$ 2,586,183</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	
	2024	2023
Satisfaction of Purpose Restrictions:		
World and National Missions	\$ 111,343	\$ 290,160
Preparing Church Workers	34,706	63,767
Congregational Health and Services	89,943	94,684
Fixed Assets Acquired and Placed in Service	-	25,741
	<u>\$ 235,992</u>	<u>\$ 474,352</u>

12. ENDOWMENT FUNDS

Our endowment (the Endowment) consists of five 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

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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. There were no underwater endowments as of December 31, 2024 and 2023.

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, 2024 and 2023, we had the following endowment net asset composition by fund type:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2024</u>			
Board-Designated Endowment Funds	\$ 366,797	\$	\$ 366,797
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,682	193,682
Term Endowments		633,344	633,344
Accumulated Investment Return (Loss)		22,332	22,332
	<u> </u>	<u> </u>	<u> </u>
Total Endowment	\$ <u>366,797</u>	\$ <u>849,358</u>	\$ <u>1,216,155</u>
 <u>December 31, 2023</u>			
Board-Designated Endowment Funds	\$ 381,318	\$	\$ 381,318
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,683	193,683
Term Endowments		659,957	659,957
Accumulated Investment Return		6,054	6,054
	<u> </u>	<u> </u>	<u> </u>
Total Endowment	\$ <u>381,318</u>	\$ <u>859,694</u>	\$ <u>1,241,012</u>

MID-SOUTH DISTRICT of
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NOTES TO FINANCIAL STATEMENTS

12. ENDOWMENT FUNDS (Continued)

Changes in the endowment net assets for the years ended December 31, 2024 and 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Year Ended December 31, 2024</u>			
Endowment Net Assets - Beginning of Year	\$ 381,318	\$ 859,694	\$ 1,241,012
Net Investment Return	22,551	43,272	65,823
Contributions			-
Appropriation of Endowment			
Assets for Expenditure		(53,608)	(53,608)
Distributions from Board-Designated Endowment	(37,072)		(37,072)
Additions to Board-Designated Endowment			-
	<u>366,797</u>	<u>849,358</u>	<u>1,216,155</u>
Endowment Net Assets - End of Year	\$ <u>366,797</u>	\$ <u>849,358</u>	\$ <u>1,216,155</u>
<u>Year Ended December 31, 2023</u>			
Endowment Net Assets - Beginning of Year	\$ 122,761	\$ 946,963	\$ 1,069,724
Net Investment Return	4,042	41,107	45,149
Contributions			-
Appropriation of Endowment			
Assets for Expenditure		(128,376)	(128,376)
Distributions from Board-Designated Endowment	(9,296)		(9,296)
Additions to Board-Designated Endowment	<u>263,811</u>		<u>263,811</u>
Endowment Net Assets - End of Year	\$ <u>381,318</u>	\$ <u>859,694</u>	\$ <u>1,241,012</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 and are distributed upon request. During the year ended December 31, 2024, the District requested and received distributions of LCEF operating results totaling \$78,005. These distributions are reflected in the Statement of Activities as support from LCEF in net assets with donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

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

Grants from LCEF - In addition, during the year ended December 31, 2024, the District received a special grant from LCEF in the amount of \$20,000, which was restricted for supporting district church worker wellness.

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, 2024 and 2023, totaled \$101,430 and \$207,897, 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. We contribute a fixed percentage of each participant's salary to the CRP. Retirement plan expenses for the years ended December 31, 2024 and 2023, totaled \$43,403 and \$55,486, respectively.

There were no significant changes in the District's relationship to the CRP during fiscal 2024 or 2023. There were also no contingent liabilities associated with the CRP at December 31, 2024 or 2023. Currently, the District has no intention to withdraw from the CRP.