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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, 2025 and 2024, 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, 2025 and 2024, 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  
April 2, 2026

MID-SOUTH DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and Cash Equivalents	\$ 1,081,788	\$ 1,698,315
Operating Investments (Note 4)	7,983,977	7,197,294
Accounts Receivable	6,540	2,084
Prepaid Expenses	67,718	6,096
Contributions Receivable (Note 5)	55,960	68,230
Property Held for Sale	65,000	186,200
Finance Lease Right-of-Use Assets - Net (Note 9)	29,458	5,079
Property and Equipment - Net (Note 6)	1,059,108	861,301
Cash Value of Life Insurance Policies	172,282	157,612
Beneficial Interests in Charitable Trusts (Note 4)	208,862	191,098
Endowment Investments (Note 4)	582,683	592,813
Beneficial Interests in Perpetual Trusts (Note 4)	<u>159,013</u>	<u>141,397</u>
 Total Assets	 <u>\$ 11,472,389</u>	 <u>\$ 11,107,519</u>
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 84,716	\$ 78,058
Deferred Revenue	6,707	5,926
Grants Payable (Note 7)	182,211	166,890
Finance Lease Liability (Note 9)	<u>29,406</u>	<u>6,459</u>
 Total Liabilities	 <u>303,040</u>	 <u>257,333</u>
Net Assets:		
Without Donor Restrictions (Note 10)	8,036,595	7,676,213
With Donor Restrictions (Note 11)	<u>3,132,754</u>	<u>3,173,973</u>
 Total Net Assets	 <u>11,169,349</u>	 <u>10,850,186</u>
 Total Liabilities and Net Assets	 <u>\$ 11,472,389</u>	 <u>\$ 11,107,519</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, 2025

	<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)	\$ 1,646,057	\$	\$ 1,646,057
IMPACT Campaign	454,481		454,481
Assets from Disbanded Congregations	79,561		79,561
Distribution of LCEF Operating Results and Grants (Note 13)		80,036	80,036
Synod		94,551	94,551
Other	42,712	170,007	212,719
Revenues -			
Subscriptions	20,024		20,024
Conventions, Conferences, and Workshops	239,388		239,388
Net Investment Return (Loss)	457,219	115,374	572,593
Agreements with LCEF (Note 13)	21,671		21,671
Other	28,008		28,008
Change in Value of Beneficial Interests in Charitable Trusts		17,764	17,764
Change in Value of Beneficial Interests in Perpetual Trusts		17,616	17,616
Net Assets Released from Restrictions (Note 11)	536,567	(536,567)	-
	<u>3,525,688</u>	<u>(41,219)</u>	<u>3,484,469</u>
 <u>EXPENSES AND LOSSES:</u>			
Program Services -			
World and National Missions	401,039		401,039
Preparing Church Workers	86,456		86,456
Congregational Health and Services	1,127,574		1,127,574
Ecclesiastical Services	306,932		306,932
District and Synodical Conventions	217,788		217,788
Support Services -			
Synodical Budget	468,817		468,817
Management and General	286,458		286,458
Fund-Raising	242,539		242,539
Total Expenses	<u>3,137,603</u>	<u>-</u>	<u>3,137,603</u>
Loss on Sale of Property Held for Sale	9,203		9,203
Impairment Loss on Property Held for Sale	18,500		18,500
Total Losses	<u>27,703</u>	<u>-</u>	<u>27,703</u>
Total Expenses and Losses	<u>3,165,306</u>	<u>-</u>	<u>3,165,306</u>
CHANGE IN NET ASSETS	360,382	(41,219)	319,163
NET ASSETS - Beginning of Year	<u>7,676,213</u>	<u>3,173,973</u>	<u>10,850,186</u>
NET ASSETS - End of Year	<u>\$ 8,036,595</u>	<u>\$ 3,132,754</u>	<u>\$ 11,169,349</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

	<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)	\$ 1,682,132	\$	\$ 1,682,132
IMPACT Campaign	310,946		310,946
Assets from Disbanded Congregations	186,200		186,200
Distribution of LCEF Operating Results and Grants (Note 13)		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 Beneficial Interests in Perpetual Trusts		9,117	9,117
Net Assets Released from Restrictions (Note 11)	<u>235,992</u>	<u>(235,992)</u>	<u>-</u>
Total Support, Revenues, & Other Additions	<u>3,039,512</u>	<u>587,790</u>	<u>3,627,302</u>
<u>EXPENSES:</u>			
Program Services -			
World and National Missions	373,948		373,948
Preparing Church Workers	69,970		69,970
Congregational Health and Services	725,216		725,216
Ecclesiastical Services	293,172		293,172
District and Synodical Conventions	57		57
Support Services -			
Synodical Budget	479,640		479,640
LCEF	89,294		89,294
Management and General	271,457		271,457
Fund-Raising	<u>161,825</u>		<u>161,825</u>
Total Expenses	<u>2,464,579</u>	<u>-</u>	<u>2,464,579</u>
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>\$ 7,676,213</u>	<u>\$ 3,173,973</u>	<u>\$ 10,850,186</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, 2025

	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL
	World and National Missions	Preparing Church Workers	Congregational Health and Services	Ecclesiastical Services	District and Synodical Conventions	Synodical Budget	Management and General	Fund-Raising	
Salaries and Wages	\$	\$	\$ 308,579	\$ 107,069	\$	\$	\$ 116,681	\$ 45,600	\$ 577,929
Employee Benefits	80		66,203	40,610			58,153	6,151	171,197
Payroll Taxes			3,494	5,281			10,815	3,508	23,098
Subsidies, Grants, and Other Assistance	394,145	86,456	314,521			468,817			1,263,939
Auto Maintenance			6,480	4,693					11,173
Building and Office Expenses	84		40,494	21,429	7,207		41,035	13,950	124,199
Communications, Publications, and Promotion			49,253	816	3,410		857	471	54,807
Conventions, Conferences, Workshops, and Meetings	31		147,532	35,880	166,804		764	380	351,391
Depreciation and Amortization			59,812	17,213			8,193	4,682	89,900
Equipment Purchases (non-capital) and Maintenance			24,060	5,017	22,339		11,107	6,249	68,772
Fees	699		1,595	3,974			7,332	137	9,763
Information Technology			3,070	3,974			3,131	3,286	13,461
Insurance			20,796	9,856			7,988	6,694	45,334
Interest							374		374
Professional Services	6,000		47,084	16,139	2,890		16,098	151,271	239,482
Staff Training and Development			6,233	505			611	96	7,445
Travel			28,060	37,580	15,138		2,476		83,254
Other			308	870			843	64	2,085
<b>Total Expenses by Function</b>	<b>\$ 401,039</b>	<b>\$ 86,456</b>	<b>\$ 1,127,574</b>	<b>\$ 306,932</b>	<b>\$ 217,788</b>	<b>\$ 468,817</b>	<b>\$ 286,458</b>	<b>\$ 242,539</b>	<b>\$ 3,137,603</b>

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		34,915	20,493	33		3,382	29,109	13,309	101,295
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			32,243	16,819			9,814	7,504	5,574	71,954
Equipment Purchases (non-capital) and Maintenance			26,507	5,190			79	10,177	1,931	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			13,639	8,014			723	8,181	3,236	33,793
Interest								445		445
Professional Services	10,500		49,394	2,051			559	19,414	39,114	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
<b>Total Expenses by Function</b>	<b>\$ 373,948</b>	<b>\$ 69,970</b>	<b>\$ 725,216</b>	<b>\$ 293,172</b>	<b>\$ 57</b>	<b>\$ 479,640</b>	<b>\$ 89,294</b>	<b>\$ 271,457</b>	<b>\$ 161,825</b>	<b>\$ 2,464,579</b>

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, 2025 and 2024

	2025	2024
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 319,163	\$ 1,162,723
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	89,900	71,955
Property from Disbanded Congregation	-	(186,200)
Change in Value of Beneficial Interests in Charitable Trusts	(17,764)	-
Change in Value of Beneficial Interests in Perpetual Trusts	(17,616)	(9,117)
Net Loss on Sale of Property Held for Sale	9,203	-
Impairment Loss on Property Held for Sale	18,500	-
Net (Gain) Loss on Investments	(178,644)	(116,935)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(4,456)	3,892
Prepaid Expenses	(61,622)	(970)
Contributions Receivable	12,270	(6,354)
Beneficial Interests in Charitable Trusts	-	(191,098)
Cash Value of Life Insurance Policies	(14,670)	(14,670)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	6,658	(11,912)
Deferred Revenue	781	3,742
Grants Payable	15,321	65,805
Net Cash Provided (Used) by Operating Activities	177,024	770,861
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Sale of Property Held for Sale	93,497	-
Purchases of Fixed Assets	(281,612)	(45,400)
Proceeds from Sale of Investments	189,540	90,679
Purchases of Investments	(787,449)	(444,497)
Net Cash Provided (Used) by Investing Activities	(786,024)	(399,218)
<b>Cash Flows from Financing Activities:</b>		
Principal Repayments on Financing Lease	(7,527)	(7,457)
Net Cash Provided (Used) by Financing Activities	(7,527)	(7,457)
Net Increase (Decrease) in Cash and Cash Equivalents	(616,527)	364,186
Cash and Cash Equivalents - Beginning of Year	1,698,315	1,334,129
Cash and Cash Equivalents - End of Year	\$ 1,081,788	\$ 1,698,315
 Supplemental Data -		
Noncash Investing and Financing Activities:		
Right-of-Use Acquired with Debt -		
Increase in Finance Lease Right-of-Use Assets	\$ (30,474)	\$ -
Increase in Finance Lease Liabilities	30,474	-

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 \$1,646,057 and \$1,682,132 for the years ended December 31, 2025 and 2024, 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 District convention expenses in fiscal 2025.
- *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, 2025 and 2024.

**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 April 2, 2026, 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, 2025 and 2024, 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	
	2025	2024
Financial Assets:		
Cash and Cash Equivalents	\$ 1,081,788	\$ 1,663,315
Operating Investments	7,983,977	7,197,294
Account Receivable	6,540	2,084
Contributions Receivable	55,960	68,230
Cash Value of Life Insurance Policies	172,282	157,612
Beneficial Interests in Charitable Trusts	208,862	191,098
Endowment Investments	582,683	592,813
Beneficial Interests in Perpetual Trusts	159,013	141,397
Total Financial Assets at Year-End	10,251,105	10,013,843
Less Those Unavailable for General Expenditures Within One Year Due to:		
Donor-Imposed or Contractual Restrictions	(3,132,754)	(3,173,973)
Board Designations:		
Amounts Set Aside for Operating Reserve	(1,000,561)	(890,376)
Quasi-Endowment Funds for Long-Term Investing	(352,460)	(366,798)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 5,765,330	\$ 5,582,696

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 \$1,000,561 and \$890,376 at December 31, 2025 and 2024, 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 \$352,460 and \$366,798 at December 31, 2025 and 2024, 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.

MID-SOUTH DISTRICT of  
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NOTES TO FINANCIAL STATEMENTS

**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, 2025:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 4,719,950	\$	\$	\$	\$ 4,719,950
LCMS Foundation:					
Moderate Balanced	-				
Core Bond	439,687				439,687
Domestic Equity	1,205,116				1,205,116
High Yield Bond	459,488				459,488
Cash	20				20
Mutual Fund	1,159,716	1,159,716			
	<u>\$ 7,983,977</u>	<u>\$ 1,159,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,824,261</u>
Beneficial Interests in					
Charitable Trusts	<u>\$ 208,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,862</u>	<u>\$ -</u>
Perpetual Trusts	<u>\$ 159,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,013</u>	<u>\$ -</u>
Endowment Investments -					
LCEF Notes	\$ 352,460	\$	\$	\$	\$ 352,460
LCMS Foundation:					
Moderate Balanced	-				
Core Bond	17,864				17,864
Domestic Equity	69,847				69,847
High Yield Bond	19,271				19,271
Cash	2,012				2,012
Mutual Fund	121,229	121,229			
	<u>\$ 582,683</u>	<u>\$ 121,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,454</u>

MID-SOUTH DISTRICT of  
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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, 2025:

	<u>Balance</u> <u>12/31/2024</u>	<u>Net New or</u> <u>(Matured) Gifts</u>	<u>Change</u> <u>in Value</u>	<u>Balance</u> <u>12/31/2025</u>
Charitable Trusts	\$ 191,098	\$ -	\$ 17,764	\$ 208,862
Perpetual Trusts	\$ 141,397	\$ -	\$ 17,616	\$ 159,013

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:

	<u>Total</u>	<u>Fair Value Measurements Using</u>			<u>Investments</u> <u>Measured at</u> <u>Cost or NAV</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
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	\$ 191,098	\$ -	\$ -	\$ 191,098	\$ -
Beneficial Interests in					
Perpetual Trusts	\$ 141,397	\$ -	\$ -	\$ 141,397	\$ -
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>

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**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, 2024:

	<u>Balance</u> <u>12/31/2023</u>	<u>Net New or</u> <u>(Matured) Gifts</u>	<u>Change</u> <u>in Value</u>	<u>Balance</u> <u>12/31/2024</u>
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>

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, 2025 and 2024, are summarized below:

	<u>2025</u>	<u>2024</u>
LCMS Foundation Common Funds:		
Fair Value	\$ 2,213,305	\$ 1,962,111
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

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NOTES TO FINANCIAL STATEMENTS

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

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 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, 2025 and 2024, we had unconditional promises to give to the District from our member congregations totaling \$55,960 and \$68,230, 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	
	2025	2024
Land	\$ 235,505	\$ 235,505
Office Building	1,064,745	965,278
Office Furnishings and Equipment	208,622	208,622
Disaster Relief Equipment	279,625	97,481
Vehicles	109,019	109,019
	1,897,516	1,615,905
Less: Accumulated Depreciation	(838,408)	(754,604)
Net Property and Equipment	\$ 1,059,108	\$ 861,301

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**7. GRANTS PAYABLE**

The District has unconditionally promised to give to the Synod and various unrelated entities \$182,211 and \$166,890 at December 31, 2025 and 2024, 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, 2025 and 2024, we had an unsecured line of credit with LCEF in the amount of \$200,484 and \$181,928, respectively. Borrowings under this line would bear interest at the current rate of 5.75%. As of and during the years ended December 31, 2025 and 2024, there were no borrowings against this line of credit.

**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 2030 with no renewal options. As shown in the Statement of Financial Position, these right-of-use assets totaled \$29,458 (cost of \$30,474 less accumulated amortization of \$1,016) and \$5,079 (cost of \$30,474 less accumulated amortization of \$25,395) at December 31, 2025 and 2024, respectively. The related finance lease liability totaled \$29,406 and \$6,459, respectively, as of those dates.

The future minimum lease payments as of December 31, 2025 are as follows:

Year Ending December 31	
2026	\$ 4,869
2027	5,439
2028	6,077
2029	6,789
2030	<u>6,232</u>
Total Principal Payments	<u>\$ 29,406</u>

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NOTES TO FINANCIAL STATEMENTS

**10. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of the following:

	December 31	
	2025	2024
Undesignated	\$ 1,551,807	\$ 1,926,130
Designated by Board for:		
World and National Missions	4,777,807	4,058,316
Congregational Health and Services	33,942	33,942
District and Synodical Conventions	12,077	12,077
Management and General	307,941	388,574
Operating Reserve	1,000,561	890,376
Quasi-Endowments - Preparing Church Workers	352,460	366,798
Total Board-Designated	6,484,788	5,750,083
	\$ 8,036,595	\$ 7,676,213

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	
	2025	2024
Purpose Restrictions:		
World and National Missions	\$ 1,446,487	1,375,124
Preparing Church Workers	10,331	5,100
Congregational Health and Services	297,706	453,153
Management and General	1,130	1,130
	1,755,654	1,834,507
Time Restrictions:		
Cash Value of Life Insurance Policies	172,282	157,612
Beneficial Interests in Charitable Trusts	208,862	191,098
	381,144	348,710
Endowments:		
Corpus (Perpetual) -		
Preparing Church Workers	102,352	102,352
Congregational Health and Services	91,331	91,331
	193,683	193,683
Term Endowments -		
World and National Missions	604,142	629,928
Congregational Health and Services	2,578	3,416
	606,720	633,344
Net Investment Return Subject to Appropriation and Expenditure; Restricted by Donors for:		
Preparing Church Workers	18,877	18,541
Congregational Health and Services	17,663	3,791
	36,540	22,332
Total Endowments	836,943	849,359
Beneficial Interests in Perpetual Trusts	159,013	141,397
	\$ 3,132,754	\$ 3,173,973

(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	
	2025	2024
Satisfaction of Purpose Restrictions:		
World and National Missions	\$ 90,119	\$ 111,343
Preparing Church Workers	44,777	34,706
Congregational Health and Services	314,120	89,943
Fixed Assets Acquired and Placed in Service	87,551	-
	\$ 536,567	\$ 235,992

**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

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. There were no underwater endowments as of December 31, 2025 and 2024.

*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, 2025 and 2024, we had the following endowment net asset composition by fund type:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<u>December 31, 2025</u>			
Board-Designated Endowment Funds	\$ 352,460	\$	\$ 352,460
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,683	193,683
Term Endowments		606,720	606,720
Accumulated Investment Return (Loss)		36,540	36,540
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Endowment	<u>\$ 352,460</u>	<u>\$ 836,943</u>	<u>\$ 1,189,403</u>
 <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		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>

MID-SOUTH DISTRICT of  
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**12. ENDOWMENT FUNDS (Continued)**

Changes in the endowment net assets for the years ended December 31, 2025 and 2024, are as follows:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<u>Year Ended December 31, 2025</u>			
Endowment Net Assets - Beginning of Year	\$ 366,797	\$ 849,358	\$ 1,216,155
Net Investment Return	21,043	51,111	72,154
Contributions			-
Appropriation of Endowment			
Assets for Expenditure		(63,526)	(63,526)
Distributions from Board-Designated Endowment	(35,380)		(35,380)
Additions to Board-Designated Endowment			-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Endowment Net Assets - End of Year	<u>\$ 352,460</u>	<u>\$ 836,943</u>	<u>\$ 1,189,403</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>                    </u>	<u>                    </u>	<u>                    </u>
Endowment Net Assets - End of Year	<u>\$ 366,797</u>	<u>\$ 849,358</u>	<u>\$ 1,216,155</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, 2025 and 2024, the District requested and received distributions of LCEF operating results totaling \$71,536 and \$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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**13. SUPPORT AND REVENUE FROM THE LUTHERAN CHURCH EXTENSION FUND**  
(Continued)

*Grants from LCEF* - In addition, during the years ended December 31, 2025 and 2024, the District received special grants from LCEF in the amount of \$8,500 and \$20,000, respectively, which was restricted for supporting District events and 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, 2025 and 2024, totaled \$21,671 and \$101,430, 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, 2025 and 2024, totaled \$50,052 and \$43,403, respectively.

There were no significant changes in the District’s relationship to the CRP during fiscal 2025 or 2024. There were also no contingent liabilities associated with the CRP at December 31, 2025 or 2024. Currently, the District has no intention to withdraw from the CRP.