



THE
LUTHERAN CHURCH
Missouri Synod

Internal Audit Department



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INTERNAL AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Mid-South District of The Lutheran Church—Missouri Synod, which comprise the statement of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 22, 2022

MID-SOUTH DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and Cash Equivalents	\$ 1,361,558	\$ 1,093,438
Operating Investments (Note 4)	5,665,866	3,992,634
Accounts Receivable	9,728	4,870
Prepaid Expenses	24,306	26,291
Contributions Receivable (Note 5)	129,224	56,624
Property Held for Sale	576,389	793,702
Property and Equipment - Net (Note 6)	914,130	949,114
Cash Value of Life Insurance Policies	130,728	125,306
Endowment Investments (Note 4)	361,704	355,794
Beneficial Interests in Perpetual Trusts (Note 4)	<u>88,223</u>	<u>82,505</u>
 Total Assets	 <u>\$ 9,261,856</u>	 <u>\$ 7,480,278</u>
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 34,783	\$ 33,482
Deferred Revenue	2,924	3,142
Grants Payable (Note 7)	104,349	72,283
Capital Lease Obligation (Note 9)	<u>27,919</u>	<u>34,489</u>
 Total Liabilities	 <u>169,975</u>	 <u>143,396</u>
Net Assets:		
Without Donor Restrictions (Note 10)	6,064,577	4,631,454
With Donor Restrictions (Note 11)	<u>3,027,304</u>	<u>2,705,428</u>
 Total Net Assets	 <u>9,091,881</u>	 <u>7,336,882</u>
 Total Liabilities and Net Assets	 <u>\$ 9,261,856</u>	 <u>\$ 7,480,278</u>

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

MID-SOUTH DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 1,575,617	\$	\$ 1,575,617
IMPACT Campaign	93,067		93,067
Assets from Disbanded Congregation	24,187		24,187
LCEF (Note 13)	99,078		99,078
Other	50	909,691	909,741
Revenues -			
Subscriptions	23,790		23,790
Conventions, Conferences, and Workshops	175,587		175,587
Net Investment Return (Loss)	140,690	39,202	179,892
Agreements with LCEF (Note 13)	186,756		186,756
Other	11,207		11,207
Gain on Sale of Property/Fixed Assets	1,024,462		1,024,462
Gain from Insurance Claims	53,178		53,178
Change in Value of Perpetual Trusts		5,718	5,718
Net Assets Released from Restrictions (Note 11)	632,735	(632,735)	-
	<u>4,040,404</u>	<u>321,876</u>	<u>4,362,280</u>
Total Support, Revenues, & Other Additions			
	<u>4,040,404</u>	<u>321,876</u>	<u>4,362,280</u>
<u>EXPENSES:</u>			
Program Services -			
World and National Missions	737,714		737,714
Preparing Church Workers	78,782		78,782
Congregational Health and Services	533,758		533,758
Ecclesiastical Services	222,197		222,197
District and Synodical Conventions	149,724		149,724
Support Services -			
Synodical Budget	446,780		446,780
LCEF	177,767		177,767
Management and General	172,282		172,282
Fund-Raising	88,277		88,277
	<u>2,607,281</u>	<u>-</u>	<u>2,607,281</u>
Total Expenses			
	<u>2,607,281</u>	<u>-</u>	<u>2,607,281</u>
CHANGE IN NET ASSETS	1,433,123	321,876	1,754,999
NET ASSETS - Beginning of Year	<u>4,631,454</u>	<u>2,705,428</u>	<u>7,336,882</u>
NET ASSETS - End of Year	<u>\$ 6,064,577</u>	<u>\$ 3,027,304</u>	<u>\$ 9,091,881</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, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 1,559,221	\$	\$ 1,559,221
IMPACT Campaign	69,662		69,662
Synod (Note 15)		47,820	47,820
Other	150	259,873	260,023
Revenues -			
Subscriptions	24,300		24,300
Conventions, Conferences, and Workshops	34,634		34,634
Net Investment Return (Loss)	133,106	39,209	172,315
Agreements with LCEF (Note 13)	170,966		170,966
Other	18,658		18,658
Gain on Sale of Fixed Assets	8,511		8,511
Gain on Forgiveness of PPP Loan (Note 15)	119,545		119,545
Change in Value of Perpetual Trusts		6,822	6,822
Net Assets Released from Restrictions (Note 11)	227,316	(227,316)	-
	2,366,069	126,408	2,492,477
 <u>EXPENSES:</u>			
Program Services -			
World and National Missions	454,953		454,953
Preparing Church Workers	74,928		74,928
Congregational Health and Services	570,989		570,989
Ecclesiastical Services	203,293		203,293
District and Synodical Conventions	-		-
Support Services -			
Synodical Budget	442,766		442,766
LCEF	174,666		174,666
Management and General	213,822		213,822
Fund-Raising	88,951		88,951
	2,224,368	-	2,224,368
CHANGE IN NET ASSETS	141,701	126,408	268,109
NET ASSETS - Beginning of Year	4,489,753	2,579,020	7,068,773
NET ASSETS - End of Year	\$ 4,631,454	\$ 2,705,428	\$ 7,336,882

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

MID-SOUTH DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD

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

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

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, 2020

	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	\$ 166,256	\$	\$ 212,654	\$ 88,920	\$	\$	\$ 111,980	\$ 82,329	\$ 51,387	\$ 713,526
Employee Benefits	82,997		60,587	41,405			30,776	34,519	16,566	266,850
Payroll Taxes			6,127	2,069			8,820	7,990	4,180	29,186
Subsidies, Grants, and Other Assistance	157,234	72,700	89,846	2,041		442,766				764,587
Auto Maintenance			771	1,780						2,551
Building and Office Expenses	4,050		34,759	14,104			9,551	24,478	7,343	94,285
Communications, Publications, and Promotion			30,901	426				319	622	32,268
Conventions, Conferences, Workshops, and Meetings	19,191	2,000	59,061	15,776				1,376	25	97,429
Depreciation			21,145	10,106			11,396	18,154	3,302	64,103
Equipment Purchases (non-capital) and Maintenance			15,335	1,926			196	4,357	1,493	23,307
Fees	257		744					5,373	39	6,413
Information Technology	221	228	2,116	4,807				989	1,069	9,430
Insurance			9,103	6,814			728	11,411	662	28,718
Interest								1,446		1,446
Professional Services	10,675		15,562	975			1,219	18,231	731	47,393
Staff Training and Development			1,424	89				279	90	1,882
Travel	14,072		10,686	11,676				1,516	1,240	39,190
Other			168	379				1,055	202	1,804
Total Expenses by Function	\$ 454,953	\$ 74,928	\$ 570,989	\$ 203,293	\$ -	\$ 442,766	\$ 174,666	\$ 213,822	\$ 88,951	\$ 2,224,368

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,754,999	\$ 268,109
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	59,156	64,103
Change in Value of Beneficial Interests in Perpetual Trusts	(5,718)	(6,822)
Net (Gain) Loss on Sale of Fixed Assets	(1,024,462)	(8,511)
Net (Gain) Loss on Investments	(3,650)	(92,977)
(Gain) on Forgiveness of PPP Loan	-	(119,545)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(4,858)	6,980
Prepaid Expenses	1,985	4,058
Contributions Receivable	(72,600)	(12,499)
Cash Value of Life Insurance Policies	(5,422)	2,321
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	1,301	(17,128)
Deferred Revenue	(218)	68
Grants Payable	32,066	(21,670)
Net Cash Provided (Used) by Operating Activities	732,579	66,487
Cash Flows from Investing Activities:		
Proceeds from Sale of Fixed Assets	1,248,650	-
Purchases of Fixed Assets	(31,047)	(67,065)
Proceeds from Sale of Investments	125,214	24,586
Purchases of Investments	(1,800,706)	(103,253)
Net Cash Provided (Used) by Investing Activities	(457,889)	(145,732)
Cash Flows from Financing Activities:		
Principal Repayments on Capital Lease	(6,570)	(4,317)
PPP Loan Proceeds	-	118,800
Net Cash Provided (Used) by Financing Activities	(6,570)	114,483
Net Increase (Decrease) in Cash and Cash Equivalents	268,120	35,238
Cash and Cash Equivalents - Beginning of Year	1,093,438	1,058,200
Cash and Cash Equivalents - End of Year	\$ 1,361,558	\$ 1,093,438
Supplemental Data:		
Noncash Investing and Financing Activities:		
Fixed Assets Acquired with Debt (Capital Lease)	\$ -	\$ 30,474
Reclassification from Fixed Assets to Property Held for Sale	-	793,702
Forgiveness of PPP Loan Principal	-	118,800
Forgiveness of PPP Loan Accrued Interest Payable	-	745

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 129 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 \$1,575,617 and \$1,559,221 for the years ended December 31, 2021 and 2020, respectively. These donations are subject to fluctuations in the economic status of the areas in which the congregations are located. No provisions have been made for changes in the economic environment. Any significant reduction in the level of this support, however, could have an effect on the District's program and supporting activities.

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

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

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

1. NATURE OF ORGANIZATION (Continued)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Use of Estimates

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

Principles of Consolidation

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

Cash and Cash Equivalents

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Net Investment Return/(Loss)

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

Contributions Receivable

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

Property and Equipment

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

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

Beneficial Interests in Perpetual Trusts

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interests in Perpetual Trusts (Continued)

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

Grants Payable

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

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. These net assets may be subject to self-imposed limits by action of the governing board. These board-designated net assets may be earmarked for future programs, contingencies, purchase/construction of fixed assets, or for other uses.

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

Contributions and Revenue Recognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Revenue Recognition (Continued)

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

Functional Allocation of Expenses

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

Taxes

We follow the accounting standards for contingencies in evaluating uncertain tax positions. This guidance requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit by the applicable regulatory authority, based on the technical merits of the position. These rules also provide guidance on measurement, recognition, classification, interest and penalties, transition, and disclosure requirements for uncertain tax positions. No liability has been recognized by the District for uncertain tax positions as of December 31, 2021 and 2020.

Financial Instruments and Credit Risk

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

Subsequent Events

The District has evaluated subsequent events through April 22, 2022, the date the financial statements were available to be issued.

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

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the District's financial assets at December 31, 2021 and 2020, 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	
	2021	2020
Financial Assets:		
Cash and Cash Equivalents	\$ 1,361,558	\$ 1,093,438
Operating Investments	5,665,866	3,992,634
Account Receivable	9,728	4,870
Contributions Receivable	129,224	56,624
Cash Value of Life Insurance Policies	130,728	125,306
Endowment Investments	361,704	355,794
Beneficial Interests in Perpetual Trusts	88,223	82,505
Total Financial Assets at Year-End	7,747,031	5,711,171
Less Those Unavailable for General Expenditures		
Within One Year Due to:		
Donor-Imposed or Contractual Restrictions	(3,027,304)	(2,705,428)
Board Designations:		
Amounts Set Aside for Operating Reserve	(835,705)	(779,332)
Quasi-Endowment Funds for Long-Term Investing	(129,436)	(138,128)
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	\$ 3,754,586	\$ 2,088,283

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 \$835,705 and \$779,332 at December 31, 2021 and 2020, 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 \$129,436 and \$138,128 at December 31, 2021 and 2020, respectively, could be made available if necessary, although we do not intend to spend from these board-designated endowments.

MID-SOUTH DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
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 unsecured lines of credit with LCEF which are available to meet cash flow needs.

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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
THE LUTHERAN CHURCH—MISSOURI SYNOD
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, 2021:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 3,044,463	\$	\$	\$	3,044,463
LCMS Foundation:					
Moderate Balanced	1,307,241				1,307,241
Core Bond	196,462				196,462
Domestic Equity	147,463				147,463
International Equity	109,685				109,685
High Yield	49,814				49,814
Cash	1,092				1,092
Mutual Fund	809,646	809,646			
	<u>\$ 5,665,866</u>	<u>\$ 809,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,856,220</u>
Beneficial Interests in					
Perpetual Trusts	\$ 88,223	\$ -	\$ -	\$ 88,223	\$ -
Endowment Investments -					
LCEF Notes	\$ 139,863	\$	\$	\$	139,863
LCMS Foundation:					
Moderate Balanced	97,537				97,537
Cash	1,399				1,399
Mutual Fund	122,905	122,905			
	<u>\$ 361,704</u>	<u>\$ 122,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,799</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, 2021:

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

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, 2020:

	Total	Fair Value Measurements Using			Investments Measured at Cost or NAV
		Level 1	Level 2	Level 3	
Operating Investments -					
LCEF Notes	\$ 2,793,281	\$	\$	\$	\$ 2,793,281
LCMS Foundation:					
Moderate Balanced	1,199,353				1,199,353
	<u>\$ 3,992,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,992,634</u>
Beneficial Interest in					
Perpetual Trust	\$ 82,505	\$ -	\$ -	\$ 82,505	\$ -
Endowment Investments -					
LCEF Notes	\$ 232,712	\$	\$	\$	\$ 232,712
Mutual Fund	123,082	123,082			
	<u>\$ 355,794</u>	<u>\$ 123,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,712</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, 2020:

	Balance 12/31/2019	Net New or (Matured) Gifts	Change in Value	Balance 12/31/2020
Perpetual Trust	<u>\$ 75,683</u>	<u>\$ -</u>	<u>\$ 6,822</u>	<u>\$ 82,505</u>

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

(Continued)

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

4. FAIR VALUE MEASUREMENTS (Continued)

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, 2021 and 2020, are summarized below:

	2021	2020
LCMS Foundation Common Funds:		
Fair Value	\$ 1,811,757	\$ 1,199,353
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 securities of both developed and emerging markets; the portfolio holds common stock issued by foreign corporations traded on foreign exchanges. The High Yield Bond Fund is low to moderate risk investment focused on fixed income; the portfolio holds bonds and short-term bank loans that are lower in quality and pay interest that are higher than investment grade bonds.

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

5. CONTRIBUTIONS RECEIVABLE

At December 31, 2021 and 2020, we had unconditional promises to give to the District from our member congregations and others totaling \$129,224 and \$56,624, 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	
	2021	2020
Land	\$ 258,649	\$ 258,649
Office Building	944,958	944,958
Mission Property	92,572	92,572
Office Furnishings and Equipment	239,096	232,549
Vehicles	90,969	90,041
	1,626,244	1,618,769
Less: Accumulated Depreciation	(712,114)	(669,655)
Net Property and Equipment	\$ 914,130	\$ 949,114

7. GRANTS PAYABLE

The District has unconditionally promised to give to the Synod and various unrelated entities \$104,349 and \$72,283 at December 31, 2021 and 2020, respectively. These amounts are expected to be paid within one year of the respective fiscal year-end.

8. LINES 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, 2021 and 2020, we had an unsecured line of credit with LCEF in the amount of \$249,992 and \$201,738, respectively. We also had an additional \$200,000 line of credit with LCEF for both fiscal years. Borrowings under these lines would bear interest at the current rate of 3.875% and 4.25%, respectively. As of and during the years ended December 31, 2021 and 2020, there were no borrowings against these lines of credit.

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

9. CAPITAL LEASE OBLIGATION

Certain office equipment with a recorded cost of \$30,474 and accumulated depreciation of \$7,110 at December 31, 2021, is held under a lease agreement which expires in October 2025. The lease obligation and related equipment have been recorded as an asset and a liability of the District.

Future minimum principal payments, based on an interest rate of 4.226%, are as follows:

Year Ending December 31	
2022	\$ 6,854
2023	7,149
2024	7,457
2025	<u>6,459</u>
Total Principal Payments	<u>\$ 27,919</u>

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 2,398,592	\$ 2,319,797
Designated by Board for:		
World and National Missions	2,453,269	1,129,122
Congregational Health and Services	13,839	13,839
District and Synodical Conventions	12,077	12,077
Management and General	221,659	239,159
Operating Reserve	835,705	779,332
Quasi-Endowments - Preparing Church Workers	<u>129,436</u>	<u>138,128</u>
	<u>\$ 6,064,577</u>	<u>\$ 4,631,454</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	
	2021	2020
Purpose Restrictions:		
World and National Missions	\$ 1,686,434	1,260,939
Preparing Church Workers	19,078	28,119
Congregational Health and Services	2,615	4,255
Management and General	930	930
	<u>1,709,057</u>	<u>1,294,243</u>
Time Restrictions:		
Cash Value of Life Insurance Policies	<u>130,728</u>	<u>125,306</u>
Endowments:		
Corpus (Perpetual) -		
Preparing Church Workers	102,352	102,352
Congregational Health and Services	91,331	91,331
	<u>193,683</u>	<u>193,683</u>
Term Endowments -		
World and National Missions	880,302	989,187
Congregational Health and Services	7,153	9,522
	<u>887,455</u>	<u>998,709</u>
Net Investment Return Subject to Appropriation and Expenditure; Restricted by Donors for:		
Preparing Church Workers	10,553	7,730
Congregational Health and Services	7,605	3,252
	<u>18,158</u>	<u>10,982</u>
Total Endowments	<u>1,099,296</u>	<u>1,203,374</u>
Beneficial Interests in Perpetual Trusts	<u>88,223</u>	<u>82,505</u>
	<u>\$ 3,027,304</u>	<u>\$ 2,705,428</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	
	2021	2020
Satisfaction of Purpose Restrictions:		
World and National Missions	\$ 565,822	\$ 117,636
Preparing Church Workers	54,351	54,908
Congregational Health and Services	12,562	53,997
Management and General	-	775
	\$ 632,735	\$ 227,316

12. ENDOWMENT FUNDS

Our endowment (the Endowment) consists of eight 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
THE LUTHERAN CHURCH–MISSOURI SYNOD
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, 2021 and 2020.

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, 2021 and 2020, we had the following endowment net asset composition by fund type:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>December 31, 2021</u>			
Board-Designated Endowment Funds	\$ 129,436	\$	\$ 129,436
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,683	193,683
Term Endowments		887,455	887,455
Accumulated Investment Return		18,158	18,158
	<u> </u>	<u> </u>	<u> </u>
Total Endowment	\$ <u>129,436</u>	\$ <u>1,099,296</u>	\$ <u>1,228,732</u>
 <u>December 31, 2020</u>			
Board-Designated Endowment Funds	\$ 138,128	\$	\$ 138,128
Donor-Restricted Endowment Funds:			
Amounts Required to be Maintained in Perpetuity		193,683	193,683
Term Endowments		998,709	998,709
Accumulated Investment Return		10,982	10,982
	<u> </u>	<u> </u>	<u> </u>
Total Endowment	\$ <u>138,128</u>	\$ <u>1,203,374</u>	\$ <u>1,341,502</u>

(Continued)

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

12. ENDOWMENT FUNDS (Continued)

Changes in the endowment net assets for the years ended December 31, 2021 and 2020, are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Year Ended December 31, 2021</u>			
Endowment Net Assets - Beginning of Year	\$ 138,128	\$ 1,203,374	\$ 1,341,502
Net Investment Return	1,735	34,103	35,838
Contributions		2,131	2,131
Appropriation of Endowment			
Assets for Expenditure		(140,312)	(140,312)
Distribution from Board-Designated Endowment	(10,427)		(10,427)
Additions to Board-Designated Endowment			-
	<u> </u>	<u> </u>	<u> </u>
Endowment Net Assets - End of Year	<u>\$ 129,436</u>	<u>\$ 1,099,296</u>	<u>\$ 1,228,732</u>
 <u>Year Ended December 31, 2020</u>			
Endowment Net Assets - Beginning of Year	\$ 147,900	\$ 1,196,776	\$ 1,344,676
Net Investment Return	2,637	32,200	34,837
Contributions		350	350
Appropriation of Endowment			
Assets for Expenditure		(25,952)	(25,952)
Distribution from Board-Designated Endowment	(12,409)		(12,409)
Additions to Board-Designated Endowment			-
	<u> </u>	<u> </u>	<u> </u>
Endowment Net Assets - End of Year	<u>\$ 138,128</u>	<u>\$ 1,203,374</u>	<u>\$ 1,341,502</u>

13. SUPPORT AND REVENUE FROM THE LUTHERAN CHURCH EXTENSION FUND

Distribution of LCEF Operating Results – Based on LCEF’s annual operating performance, earnings distributions are made available to its partner districts. LCEF operating results are generally restricted for specific mission and ministry programs of the respective district or they can be unrestricted, and are distributed upon request. During the year ended December 31, 2021, the District requested and received unrestricted distributions of LCEF operating results totaling \$99,078. These distributions are reflected in the Statement of Activities as support from LCEF in net assets without donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

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

Agreements with LCEF – In accordance with certain agreements, which are subject to renegotiation each July, LCEF agreed to compensate and reimburse the District for providing facilities and services to LCEF, as well as for promotion and coordination of church extension program activities within 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, 2021 and 2020, totaled \$186,756 and \$170,966, respectively, which is reported in the Statement of Activities as revenue in net assets without donor restrictions.

14. DEFINED BENEFIT PLAN

The District participates in the worker benefit plans of the Synod, including the Concordia Retirement Plan (CRP). The CRP provides individuals with post-retirement benefits. Substantially all full-time employees (those employed more than 20 hours per week and at least five months per year) are covered by the CRP. Employees are vested after five years of creditable service. The District contributes a fixed percentage of each participant's salary to the CRP. Retirement plan expenses for the years ended December 31, 2021 and 2020, totaled \$54,740 and \$54,120, respectively.

There were no significant changes in the District's relationship to the CRP during fiscal 2021 or 2020. There were also no contingent liabilities associated with the CRP at December 31, 2021 or 2020. Currently, the District has no intention to withdraw from the CRP; the District's contributions and level of participation represent a small percentage of the CRP as a whole.

15. COVID-19 RELATED ACTIVITIES

PPP Loan – The District received an unsecured loan in the amount of \$118,800 under the PPP established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act from a Small Business Administration (SBA) approved partner. The loan was subject to a note dated April 20, 2020 and, under the terms of the PPP, all or a portion of the principal and accrued interest is eligible to be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act such as payroll costs, benefits, rent, and utilities.

In April 2020, the District recorded a note payable in the amount of \$118,800. When the loan obligation was legally released by the SBA in December 2020, we recognized in the 2020 Statement of Activities a \$119,545 gain on the forgiveness of debt, which included principal of \$118,800 and accrued interest of \$745.

Soldiers of the Cross COVID-19 Response Initiative – As the COVID-19 crisis unfolded in 2020, many church workers found themselves with immediate unmet financial needs stemming from the spread of the pandemic. The District, in partnership with the Synod and LCEF, delivered mercy and human care in the form of benevolent support to church workers within the District through the Synod's Soldiers of the Cross COVID-19 Response Initiative program. During the year ended

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NOTES TO FINANCIAL STATEMENTS

15. COVID-19 RELATED ACTIVITIES (Continued)

December 31, 2020, the District received \$47,820 from the Synod for this program and distributed grants of \$58,900 to meet the needs of impacted District church workers.