

**THE CENTRAL ILLINOIS DISTRICT
CHURCH EXTENSION FUND, INC.
SPRINGFIELD, ILLINOIS**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022, 2021 AND 2020

The Central Illinois District
Church Extension Fund, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Central Illinois District Church Extension Fund, Inc.
Springfield, Illinois

Opinion

We have audited the accompanying financial statements of Central Illinois District Church Extension Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 2021, and 2020, and the related statements of activities 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 Central Illinois District Church Extension Fund, Inc. as of December 31, 2022, 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 Central Illinois District Church Extension Fund, Inc. 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 Central Illinois District Church Extension Fund, Inc.'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 Central Illinois District Church Extension Fund, Inc.'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 Central Illinois District Church Extension Fund, Inc.'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.

Estes, Bridgewater & Ogden

Certified Public Accountants
Springfield, Illinois

June 23, 2023

Central Illinois District
Church Extension Fund, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022, 2021 and 2020

Statement 1

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Cash and cash equivalents.....	\$ 1,644,349	\$ 3,037,815	\$ 2,192,196
Deposits and investments:			
Investments – Lutheran Church Extension Fund – LCMS.....	8,906,669	9,406,669	10,156,669
Certificates of deposit.....	5,395,000	4,424,950	2,704,975
U.S. Treasuries	<u>1,001,821</u>	-	-
Total deposits and investments	<u>15,303,490</u>	<u>13,831,619</u>	<u>12,861,644</u>
Loans Receivable:			
Congregations, schools, and other LCMS entities.....	19,646,996	20,973,954	21,990,826
Less allowance for loan losses.....	(1,895,000)	(840,000)	(840,000)
Net loans receivable	<u>17,751,996</u>	<u>20,133,954</u>	<u>21,150,826</u>
Accrued interest and other receivable	63,135	40,062	41,080
Fixed assets – net	3,353	6,148	11,517
Prepaid expense.....	<u>38,725</u>	<u>54,081</u>	<u>23,291</u>
TOTAL ASSETS.....	<u>\$34,805,048</u>	<u>\$37,103,679</u>	<u>\$36,280,554</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Interest-bearing debt instruments:			
Savings stamps.....	\$ -	\$ -	\$ 34,968
Growth bonds.....	-	-	64,082
Flex accounts.....	1,582,735	1,715,996	1,470,979
Investment certificates	<u>23,714,096</u>	<u>25,039,663</u>	<u>24,620,596</u>
Total interest-bearing debt instruments	25,296,831	26,755,659	26,190,625
Accounts payable & other payables	163,933	127,196	117,307
Accrued interest payable.....	81,711	90,601	114,529
Interest rebates payable.....	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Total liabilities	<u>25,692,475</u>	<u>27,123,456</u>	<u>26,572,461</u>
NET ASSETS			
Without donor restrictions:			
Undesignated.....	8,448,921	9,344,542	9,142,529
Board Designated.....	<u>663,652</u>	<u>635,681</u>	<u>565,564</u>
Total net assets.....	<u>9,112,573</u>	<u>9,980,223</u>	<u>9,708,093</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$34,805,048</u>	<u>\$37,103,679</u>	<u>\$36,280,554</u>

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

Central Illinois District
Church Extension Fund, Inc.

Statement 2

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022, 2021 and 2020

	2022	2021	2020
REVENUE			
Interest income:			
Interest on loans	\$ 767,324	\$ 854,118	\$ 896,457
Interest on investments.....	<u>373,608</u>	<u>326,644</u>	<u>327,837</u>
Subtotal	1,140,932	1,180,762	1,224,293
Less loan interest rebate	(<u>150,000</u>)	(<u>150,000</u>)	(<u>150,000</u>)
Total interest income	990,932	1,030,762	1,074,293
Interest expense.....	(<u>341,752</u>)	(<u>415,028</u>)	(<u>469,120</u>)
Net interest income	649,180	615,734	605,173
 Provision for loan loss.....	 <u>1,055,000</u>	 -	 -
Net interest income after provision for loan losses	(405,820)	615,734	605,173
 Support and other income:			
Gifts and bequests	12,660	70,118	11,633
Miscellaneous income.....	<u>-</u>	<u>34,056</u>	<u>-</u>
Total revenue and other support	(<u>393,160</u>)	<u>719,908</u>	<u>616,806</u>
 EXPENSES			
Salaries and benefits	273,301	271,459	262,247
Office expenses.....	13,798	14,307	14,858
Occupancy and insurance	34,253	31,703	31,392
Professional and computer services.....	44,318	44,203	38,223
Depreciation.....	4,531	5,368	6,816
Grants.....	75,310	72,014	73,302
Other expenses.....	<u>28,979</u>	<u>8,724</u>	<u>4,790</u>
 Total expenses.....	 <u>474,490</u>	 <u>447,778</u>	 <u>431,628</u>
NET INCOME (LOSS)	(867,650)	272,130	185,178
 NET ASSETS WITHOUT DONOR RESTRICTIONS – BEGINNING OF YEAR	 <u>9,980,223</u>	 <u>9,708,093</u>	 <u>9,522,915</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS – END OF YEAR	 <u>\$9,112,573</u>	 <u>\$9,980,223</u>	 <u>\$9,708,093</u>

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

Central Illinois District
Church Extension Fund, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022, 2021 and 2020

Statement 3

	<u>2022</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss).....	(\$ 867,650)	\$ 272,130	\$ 185,178
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:			
Depreciation	4,531	5,369	6,816
Increase in provision for loan loss	1,055,000	-	-
(Increase) Decrease in Assets:			
Prepaid expense.....	15,356	(30,790)	10,106
Accrued interest and other receivable	(23,073)	1,018	(4,274)
Increase (Decrease) in Liabilities:			
Accounts and other payables.....	36,737	9,889	(23,138)
Interest payable	(8,890)	(23,928)	5,535
Net cash provided by (used for) operating activities ..	<u>212,011</u>	<u>233,688</u>	<u>180,223</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment.....	(1,736)	-	-
Congregations, schools, and other LCMS entities loan advances	(1,160,350)	(372,770)	(610,983)
Congregations, schools, and other LCMS entities loan repayments	2,487,308	1,389,642	1,774,420
Redemption of investments	4,434,950	1,485,000	1,350,000
Purchase of investments	(5,906,821)	(2,454,975)	(3,204,975)
Net cash provided by (used for) investing activities.....	(146,649)	<u>46,897</u>	(691,538)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of interest-bearing debt instruments	1,502,801	3,532,437	3,479,589
Redemptions of interest-bearing debt instruments	(2,961,629)	(2,967,403)	(2,179,260)
Net cash provided by (used for) financing activities.....	(1,458,828)	<u>565,034</u>	<u>1,300,329</u>
NET INCREASE (DECREASE) IN CASH.....	(1,393,466)	845,619	789,014
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>3,037,815</u>	<u>2,192,196</u>	<u>1,403,182</u>
CASH AND CASH EQUIVALENTS – END OF YEAR.....	<u>\$1,644,349</u>	<u>\$3,037,815</u>	<u>\$2,192,196</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest.....	\$ 350,642	\$ 438,956	\$ 463,585

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

Central Illinois District
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

NOTE 1 – ORGANIZATION

The Central Illinois District Church Extension Fund, Inc. (Church Extension Fund) is one of four independent District Church Extension Funds under the Lutheran Church-Missouri Synod (LCMS). The Church Extension Fund is a church organization of the LCMS and as such is a charitable exempt organization under Section 501(c)(3) of the Internal Revenue Code and relies on investments by individuals and entities located primarily in central Illinois. Investors are subject to fluctuations in the economic status of the geographic region of central Illinois. No provisions have been made for changes in the economic environment.

The purpose of this corporation is to aid the member congregations and agencies of the Central Illinois District of the LCMS to finance the acquisition of land and in the purchase, erection or improvement of facilities for effective programs of ministry, witness, outreach, and service for the expansion of God’s Kingdom in the Central Illinois District of the LCMS.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Church Extension Fund have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP).

The significant accounting policies followed by the Church Extension Fund are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - The financial statements of the Church Extension Fund have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Church Extension Fund to report information regarding its financial position and activities accordingly to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Church Extension Fund’s management and the board of trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church Extension Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents - For the purposes of the statements of cash flows, highly liquid investments with a maturity of three months or less at the date of acquisition generally are considered to be cash equivalents.

Investments - Investments consist of notes and certificates of deposit with the Lutheran Church Extension Fund – LCMS and financial institutions as well as U.S. Treasuries at various rates and are carried at cost which approximates market value, or, in the case of U.S. Treasuries, including amortization of discount at purchase.

Central Illinois District
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fixed Assets - Fixed assets are recorded at cost and consist of office equipment, furniture and software which is depreciated over their estimated useful lives using the straight-line method of depreciation. Management's policy is to recognize depreciation in the month the asset is acquired through the life of the asset.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and accompanying notes. Actual results could differ from those estimates.

Governing Board Designations - Board designated net assets represent bequests received by the Church Extension Fund. The Board designated the funds from net assets without restrictions for future approved projects or expenditures of the Church Extension Fund. The balances are \$663,652, \$635,681 and \$565,564 as of December 2022, 2021 and 2020.

Tax Status - The Church Extension Fund is a church organization of the LCMS and as such is a charitable exempt organization under Section 501(c)(3) of the Internal Revenue Code and as a church entity is exempt from filing requirements.

Functional Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, management and general, fundraising, occupancy and supporting services benefited. Such allocations are determined by management on an equitable basis. See Note 11 for presentation of fiscal years ending December 31, 2022, 2021 and 2020.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, 2021 and 2020 are:

	<u>12-31-22</u>	<u>12-31-21</u>	<u>12-31-20</u>
Financial assets:			
Cash and cash equivalents	\$ 1,644,349	\$ 3,037,815	\$ 2,192,196
Short-term investments	<u>3,410,241</u>	<u>2,714,975</u>	<u>1,730,000</u>
Total financial assets available within one year	<u>\$ 5,054,590</u>	<u>\$ 5,752,790</u>	<u>\$ 3,922,196</u>

The organization's cash flows have variations during the year attributable to timing of payout of notes payable and advances on loans. To manage liquidity, the organization structures its financial assets to be available as general expenses, liabilities, advances on loans and other obligations come due. Short-term investments include those that will mature within one year.

NOTE 4 – FIXED ASSETS

Fixed assets are stated at cost and are comprised of the following for the years ended December 31, 2022, 2021 and 2020:

	<u>12-31-22</u>	<u>12-31-21</u>	<u>12-31-20</u>
PCS equipment and software	\$ 101,387	\$ 101,387	\$ 101,387
Office furniture and equipment	14,624	13,801	13,801
Less: Accumulated depreciation	(<u>112,658</u>)	(<u>109,040</u>)	(<u>103,671</u>)
Total – net	<u>\$ 3,353</u>	<u>\$ 6,148</u>	<u>\$ 11,517</u>

Central Illinois District
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at the principal balance outstanding, net of allowance for loan losses. The loans receivable consist of loans with various maturity dates and with interest rates ranging from 2.20% to 6.00%. The balance of loans receivable for the years ended December 31, 2022, 2021 and 2020 was \$19,646,996, \$20,973,954, and \$21,990,826, respectively.

Interest income earned on loans receivable for the years ended December 31, 2022, 2021 and 2020 was \$767,324, \$854,118, and \$896,457 and accrued interest amounted to \$2,664, \$3,618, and \$9,533, respectively. The board of trustees approved interest rebates of \$150,000 for 2022, 2021 and 2020.

In accordance with the Church Extension Fund's policy, titles, deeds of trust, and mortgages to properties are held by the Church Extension Fund until the related indebtedness has been satisfied by the respective borrower.

The allowance for loan losses was established to comply with generally accepted accounting principles. The board of trustees increased the allowance for loan loss by \$1,055,000 to \$1,895,000, after impairment of a loan. The loan is currently on interest-only payments. The balance of the allowance for loan loss account was \$1,895,000, \$840,000 and \$840,000 for the years ended December 31, 2022, 2021 and 2020, respectively.

Management considers a loan to be impaired when it is placed on nonaccrual status among other considerations. In prior years, the balance of loans considered impaired was insignificant as compared to the overall total loan balance. As of December 31, 2022, the balance of impaired loans with a specific valuation allowance was \$2,455,412, and without a specific valuation allowance was \$77,762. The valuation allowance related to impaired loans totaled \$1,636,942 as of December 31, 2022. This valuation allowance attributed to impaired loans is a component of the overall allowance for loan losses.

There have been no loan delinquencies related to the financial condition of any borrowers (more than 90 days delinquent) during the years ended December 31, 2022, 2021 and 2020.

During 2020, three borrowers requested interest-only payments for three months due to the pandemic and concerns about revenues. All three resumed regular monthly principal and interest payments at the end of the three-month period. No loans are delinquent at year end (over one month past due).

Unexpended loan commitments as of December 31, 2022, 2021 and 2020 are \$-0-, \$1,037,864, and \$526,825, respectively.

NOTE 6 – INVESTMENTS

Investments are mainly comprised of notes and certificates of deposit with the Lutheran Church Extension Fund – LCMS and financial institutions at varying rates and with terms up to 60 months. Investments are carried at cost which approximates market value. The Church Extension Fund also holds investments in U.S. Treasury Bills and Notes. Those are valued at cost, and any discount at time of purchase is amortized over the life of the note.

Raymond James provides investment services for a portion of the certificates of deposit in the Church Extension Fund's portfolio. The certificates of deposit listed under Raymond James are not investments in Raymond James.

Central Illinois District
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

NOTE 6 – INVESTMENTS, (Continued)

Investments consisted of the following at December 31, 2022, 2021 and 2020:

	<u>Current Rates/Yield</u>	<u>Maturity Date</u>	<u>Cost/Market 12-31-22</u>	<u>Cost/Market 12-31-21</u>	<u>Cost/Market 12-31-20</u>
Lutheran Church Extension Fund – LCMS					
Notes	2.000%	2020	\$ -	\$ -	\$ -
Notes	2.125% - 2.25%	2021	-	-	750,000
Notes	2.375%	2022	-	500,000	500,000
Notes	2.250% - 2.500%	2023	700,000	700,000	700,000
Notes	2.625% - 3.000%	2024	7,206,669	7,206,669	7,206,669
Notes	3.00%	2025	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total			<u>8,906,669</u>	<u>9,406,669</u>	<u>10,156,669</u>
Raymond James, Springfield, Illinois					
Certificates of Deposit	2.55%	2022	-	250,000	250,000
Certificates of Deposit	2.45% - 3.45%	2023	1,470,000	-	-
Certificates of Deposit	1.60% - 4.90%	2024	<u>3,435,000</u>	-	-
			<u>4,905,000</u>	<u>250,000</u>	<u>250,000</u>
U.S. Treasuries:					
	<u>Par Value</u>				
US Treasury Bills	259,000	3.869%	2023	249,579	-
US Treasury Bills	259,000	3.990%	2023	249,534	-
US Treasury Notes	256,000	4.000%	2023	251,128	-
US Treasury Notes	261,000	4.340%	2024	<u>251,580</u>	-
				<u>1,001,821</u>	-
Total Raymond James Investments			<u>5,906,821</u>	<u>250,000</u>	<u>250,000</u>

Central Illinois District
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

NOTE 6 – INVESTMENTS, (Continued)

	<u>Current Rates/Yield</u>	<u>Maturity Date</u>	<u>Cost/Market 12-31-22</u>	<u>Cost/Market 12-31-21</u>	<u>Cost/Market 12-31-20</u>
Other Financial Institutions – Certificates of Deposit:					
Fortress Bank, Peoria, IL	1.01%	2021	\$ -	\$ -	\$ 245,000
Farmers State Bank of Medora, Medora, IL	1.00%	2021	-	-	245,000
Vibrant Credit Union, Moline, IL	1.290%	2021	-	-	245,000
State Bank of Texas, Dallas, TX	0.75 – 0.95%	2022-21	-	245,000	245,000
American Heritage Credit Union, Philadelphia, PA	1.243%	2022	-	244,975	244,975
Community Wide Federal Credit Union, South Bend, IN	0.900%	2022	-	245,000	245,000
Farmers National Bank, Prophetstown, IL	1.100%	2022	-	245,000	245,000
Havana National Bank, Havana, IL	0.950%	2022	-	245,000	245,000
Raritan State Bank, Raritan, IL	1.150%	2022	-	245,000	245,000
West Town Bank & Trust, North Riverside, IL	1.250%	2022	-	250,000	250,000
CEFCU (Simmons Bank, Edwardsville)	1.000%	2022	-	245,000	-
Bloomsdale Bank, Bloomsdale, MO	1.000%	2023	245,000	245,000	-
Lafayette Federal Credit Union, West Kensington, MD	0.900%	2023	-	245,000	-
US Alliance Financial, Rye NY	1.000%	2023	245,000	245,000	-
Hiway Credit Union, St. Paul, MN	0.80%	2023	-	245,000	-
Superior Choice Credit Union, Superior, WI	0.90%	2023	-	245,000	-
EFCU Financial, Baton Rouge, LA	0.95%	2023	-	250,000	-
INOVA Federal Credit Union, Elkhart, IN	1.144%	2023	-	245,000	-
Evansville Teachers Federal Credit Union, Evansville, IN	0.800%	2023	-	245,000	-
Heartland Credit Union, Hutchinson, KS	0.850%	2023	-	244,975	-
Total			<u>490,000</u>	<u>4,174,950</u>	<u>2,454,975</u>
Total Investments			<u>\$15,303,490</u>	<u>\$13,831,619</u>	<u>\$12,861,644</u>

Interest income on investments for the years ended December 31, 2022, 2021 and 2020 was \$373,608, \$326,644, and \$327,837, respectively. The accrued interest amounted to \$60,471, \$36,415, and \$31,547, respectively.

NOTE 7 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the organization to concentration of credit risk, include cash and cash equivalents and investments. The organization places its temporary cash with credit-worthy, high quality financial institutions. There were no uninsured balances at these financial institutions at December 31, 2022.

Investments and cash on demand with the Lutheran Church Extension Fund – LCMS of \$9,407,669 are not SIPC or FDIC-insured bank deposit accounts, and repayment of principal and interest is dependent upon the general financial condition of LCEF. Management has reviewed the financial condition of LCEF and has been made aware of a lawsuit in which LCEF has been named as one of multiple defendants. LCEF maintains that the lawsuit and its claims are spurious and will vigorously defend against them. Management will continue to monitor the status of the lawsuit and LCEF's financial condition to ensure the investments held with the LCEF remain unimpaired.

Central Illinois District
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022, 2021 and 2020

NOTE 8 – INTEREST-BEARING DEBT INSTRUMENTS

The balances in interest-bearing debt instruments represent amounts that members of LCMS have invested in the Church Extension Fund in the following:

	<u>12-31-22</u>	<u>12-31-21</u>	<u>12-31-20</u>
Savings Stamps	\$ -	\$ -	\$ 34,968
Growth bonds	-	-	64,082
Flex Accounts	1,582,735	1,715,996	1,470,979
Investment certificates:			
6 months	127,365	127,029	210,792
12 months	2,062,461	1,102,048	1,520,624
18 months	1,300,662		
24 months	7,816,637	10,734,260	9,284,144
36 months	2,938,725	3,113,123	3,309,991
60 months	<u>9,468,246</u>	<u>9,963,203</u>	<u>10,295,045</u>
Total interest-bearing debt instruments	<u>\$25,296,831</u>	<u>\$26,755,659</u>	<u>\$26,190,625</u>

Interest rates on outstanding interest-bearing debt instruments range from 0.25% to 5.00%. The accounts held in each of the above investments are not SIPC or FDIC insured.

In May of 2021, the Church Extension Fund informed all participants in its growth bond and savings stamp program of its termination, with a final effective date of December 31, 2021. All growth bonds, matured and unmatured, were redeemed after a notification period, and savings stamps were refunded upon presentation. Miscellaneous income on the Statement of Activities represents the value of outstanding savings stamps not presented for refund by the termination date.

Future scheduled maturities of investment certificates are as follows:

2023	\$12,130,305
2024	6,216,005
2025	2,813,800
2026	1,217,028
2027	<u>1,336,958</u>
Totals	<u>\$23,714,096</u>

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NOTE 9 – RELATED PARTY TRANSACTIONS

Office space is provided to the Church Extension Fund under a lease agreement with the District with monthly payments of \$1,100 for rent and utilities. Also, during 2020 the Church Extension Fund paid \$10,632 for water damages sustained in the office space rented from the District.

The Church Extension Fund also provides various grants to member congregations and other entities including the District.

The following represents payments made to the District from the Church Extension Fund for the years ended December 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Ministry Outreach Grants	\$ -	\$ 860	\$ 5,000
Board Grants	3,683	13,879	20,934
Bequest Grants	5,656	14,721	12,850
Rent and utilities	13,200	13,200	13,200
Water damage payment	-	-	10,632

The District had 2 outstanding loans with the Church Extension Fund on December 31, 2022 with a balance due of \$109,723 and 3 loans on December 31, 2021 and 4 loans at December 31, 2020 with balances due of \$245,647 and \$277,640, respectively. The Church Extension Fund board approved principal payment forgiveness for \$10,000 on one loan for the years ended December 31, 2021, and 2020.

NOTE 10 – RETIREMENT PLAN

The Church Extension Fund participates with other organizations affiliated with the LCMS in a multiemployer noncontributory, defined-benefit pension plan covering substantially all employees. Benefits are provided through Concordia Plan Services (the Plan). The cost of these benefits to the Church Extension Fund for the years ended December 31, 2022, 2021 and 2020 was \$15,120, \$15,976, and \$15,633, respectively.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multiemployer Plan and, accordingly, such information is not presented herein. The most recent available financial information for the Plan is as of December 31, 2021. The December 31, 2021 audited financial statements of the Concordia Retirement Plan reflected approximately \$4,580 billion in net assets available for benefits and \$4,432 billion of actuarial present value of accumulated plan benefits. Therefore, the Plan was approximately 103% funded and is in the “Green Zone” for classification under the Pension Protection Act of 2006 (PPA). The PPA considers Plans that are neither endangered nor critical to be in the “Green Zone” and are not required to take action. Plans considered endangered are “Yellow Zone” and critical are considered “Red Zone”. Pension Plans in critical and endangered status are required to adopt a plan aimed at restoring the financial health of the Pension Plan.

In addition, the Church Extension Fund also offers a retirement plan under Section 403(b) of the Internal Revenue Code for employees. The employer matching contributions for the years ending December 31, 2022, 2021 and 2020 was \$3,290, \$3,164, and \$3,042, respectively.

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NOTE 11 – EXPENSES BY NATURE AND FUNCTION

The table below presents expenses by their function for fiscal years ending 2022, 2021 and 2020.

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<u>December 31, 2022</u>			
Salaries and benefits	\$140,527	\$132,774	\$273,301
Office expenses	7,095	6,703	13,798
Occupancy and insurance	17,612	16,641	34,253
Professional and computer services	33,238	11,080	44,318
Depreciation	3,399	1,132	4,531
Grants	75,310	-	75,310
Other expenses	<u>-</u>	<u>28,979</u>	<u>28,979</u>
Total expenses	<u>\$277,181</u>	<u>\$197,309</u>	<u>\$474,490</u>
<u>December 31, 2021</u>			
Salaries and benefits	\$140,568	\$130,891	\$271,459
Office expenses	7,409	6,898	14,307
Occupancy and insurance	16,417	15,286	31,703
Professional and computer services	33,152	11,051	44,203
Depreciation	4,027	1,341	5,368
Grants	72,014	-	72,014
Other expenses	<u>4,517</u>	<u>4,207</u>	<u>8,724</u>
Total expenses	<u>\$278,104</u>	<u>\$169,674</u>	<u>\$447,778</u>
<u>December 31, 2020</u>			
Salaries and benefits	\$136,923	\$125,324	\$262,247
Office expenses	7,758	7,100	14,858
Occupancy and insurance	16,390	15,002	31,392
Professional and computer services	28,667	9,556	38,223
Depreciation	5,112	1,704	6,816
Grants	73,302	-	73,302
Other expenses	<u>2,501</u>	<u>2,289</u>	<u>4,790</u>
Total expenses	<u>\$270,653</u>	<u>\$160,975</u>	<u>\$431,628</u>

NOTE 12 – SUBSEQUENT EVENTS

The organization reviewed events for inclusion in the financial statements through June 23, 2023, the date that the financial statements were available to be issued.