

# 2023 Offering Circular and Annual Report



**CHURCH EXTENSION  
FUND, INC.**

**Central Illinois District–LCMS**



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

Central Illinois District  
Lutheran Church – Missouri Synod

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Springfield, IL 62702-1626

Phone 1-217-793-1802

Church Extension Fund Web Site:

<http://www.cid-cef.org>

For current rates being offered, call 1-217-793-1802

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS AS DESCRIBED BEGINNING ON PAGE 5.

**OFFERING CIRCULAR**

The date of this Offering Circular is August 01, 2023

Fifty Million Dollars (\$50,000,000.00) of unsecured investment obligations of varying interest rates (the “Notes”). The aggregate amount of the securities being offered may be sold in any one of the following categories.

**INVESTMENT INSTRUMENTS**

**Fixed Rate Notes**

<u>Term</u>	<u>Minimum Investment</u>
6 Month.....	\$500.00
12 Month.....	\$500.00
36 Month.....	\$500.00
60 Month.....	\$500.00
Special Terms.....	\$500.00

**Flexible Savings Accounts**

<u>Type</u>	<u>Minimum Investment</u>
Regular Demand.....	\$25.00
Capital Campaign Demand.....	\$500.00

*NOTE: CEF investments are not SIPC or FDIC insured deposit accounts.*

**Investment Application on Last Page**

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN MADE OR AUTHORIZED BY THE CHURCH EXTENSION FUND.

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC), THE SECURITIES INVESTOR PROTECTION CORPORATION (SIPC), ANY STATE BANK OR INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON THE ISSUER’S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER’S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE CENTRAL ILLINOIS DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE LUTHERAN CHURCH-MISSOURI SYNOD (EXCEPT FOR THE ISSUER).

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

(CONTINUED ON NEXT PAGE)

THIS OFFERING IS NOT UNDERWRITTEN AND NO COMMISSION OR DISCOUNTS WILL BE PAID OR PROVIDED BY THE CHURCH EXTENSION FUND IN CONNECTION WITH THE SALE OF NOTES. THE FUND WILL RECEIVE 100% OF THE PROCEEDS FROM THE SALE OF THE NOTES. THE FUND WILL BEAR ALL EXPENSES, INCLUDING SECURITIES REGISTRATION FEES, PRINTING, MAILING, ACCOUNTING FEES AND ATTORNEYS' FEES, INCURRED IN THIS OFFERING WHICH ARE ESTIMATED TO BE NOT MORE THAN \$20,000.

ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

LIMITED CLASS OF INVESTORS

THE OFFERING AND SALE OF THE NOTES IS LIMITED TO i) PERSONS WHO, PRIOR TO RECEIPT OF THIS CIRCULAR, WERE MEMBERS OF, CONTRIBUTORS TO, OR PARTICIPANTS IN THE LUTHERAN CHURCH – MISSOURI SYNOD (“SYNOD” OR “LCMS”), THE CENTRAL ILLINOIS DISTRICT OF THE LUTHERAN CHURCH – MISSOURI SYNOD, THE CHURCH EXTENSION FUND OR OTHER PROGRAM, ACTIVITY, OR ORGANIZATION WHICH CONSTITUTES A PART OF THE SYNOD LOCATED IN THE STATE OF ILLINOIS, OR OTHER PERSONS WHO ARE ANCESTORS, DESCENDANTS, OR SUCCESSORS IN INTEREST TO SUCH PERSONS (“INDIVIDUAL INVESTORS”), ii) CONGREGATIONS, ASSOCIATIONS OF MEMBER CONGREGATIONS, EARLY CHILDHOOD CENTERS, ELEMENTARY AND SECONDARY SCHOOLS, RECOGNIZED SERVICE ORGANIZATIONS, AND OTHER ORGANIZATIONS AFFILIATED WITH THE SYNOD (OTHER THAN SYNODICAL CORPORATIONS), AND OTHER ORGANIZATIONS WHOSE PURPOSES INCLUDE SERVING MEMBERS OF THE LUTHERAN FAITH OR TO CARRY OUT THE PURPOSES OF THE LUTHERAN CHURCH – MISSOURI SYNOD (“ORGANIZATIONAL INVESTORS”), OR iii) SYNODICAL CORPORATIONS AND/OR ANY PERSON OR ORGANIZATION WHEN ACTING IN A FIDUCIARY CAPACITY FOR INDIVIDUAL INVESTORS (“CUSTODIAL INVESTORS”). INDIVIDUAL INVESTORS, ORGANIZATIONAL INVESTORS AND CUSTODIAL INVESTORS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS “INVESTORS”.

## FORWARD-LOOKING STATEMENTS

Investment in the securities to be issued by the Fund involves certain risks. Prospective investors are encouraged to review all the materials contained in this Offering Circular and to consult their own attorneys and financial advisors.

This Offering Circular includes “forward-looking statements” within the meaning of the federal and state securities laws. Statements about the Fund and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “pro forma,” “anticipates,” “intends,” “projects,” or other variations or comparable terminology, or by discussions of strategy or intentions. Although the Fund believes that the expectations reflected in its forward-looking statements are reasonable, the Fund cannot assure any investor that the Fund’s expectations will prove to be correct. Forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties, and other factors. Accordingly, prospective investors should not consider the Fund’s forward-looking statements as predictions of future events or circumstances. A number of factors could cause the Fund’s actual results, performance, achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the Fund’s forward-looking statements. These factors include, but are not limited to: changes in economic conditions in general and in the Fund’s business; changes in prevailing interest rates and the availability of and terms of financing to fund the Fund’s business; changes in the Fund’s capital expenditure plans; and other factors discussed in this Offering Circular. Given these uncertainties, prospective investors should not rely on the Fund’s forward-looking statements in making an investment decision. The Fund disclaims any obligation to update investors on any factors that may affect the likelihood of realization of the Fund’s expectations. All written and oral forward-looking statements attributable to the Fund, including statements before and after the date of this Offering Circular, are deemed to be supplements to this Offering Circular and are incorporated herein and are expressly qualified by these cautionary statements.

Although the Fund believes that the forward-looking statements are reasonable, prospective investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective investors should understand that the factors discussed under “**RISK FACTORS**” could affect the Fund’s future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

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## SUMMARY OF OFFERING

The following is a summary of the offering by The Central Illinois District Church Extension Fund, Inc. (sometimes hereinafter referred to as the “Church Extension Fund” or the “Fund”) and contains only selected information. This summary does not contain all of the information that a potential investor should consider before investing. The information provided in this summary should be read in conjunction with the detailed information contained in this Offering Circular, including the Fund’s audited financial statements.

1. The Fund may issue up to Fifty Million Dollars (\$50,000,000.00) of Notes of varying interest rates and terms.
2. The Fund is an Illinois not-for-profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is not a “private foundation.”
3. The Fund offers and sells Notes to investors to make funds available for loans for church development activities.
4. Notes offered pursuant to this Offering Circular bear a fixed rate of interest and have maturities ranging from six (6) months to sixty (60) months (except in the case of Flexible Savings Accounts which are demand obligations).
5. Interest payable on Notes is taxable to the investor in the year in which such interest is paid or credited.
6. At maturity, unless the investor elects to redeem a Note, and unless specifically stated in the Note, such Note will automatically renew for a term equal to the prior term at the then current interest rate for such Note; if said term is no longer offered, the renewal term will be set at the next term period of lesser duration.
7. The Fund has a substantial portion of its loan portfolio outstanding to congregations of the Central Illinois District of the Lutheran Church – Missouri Synod, all concentrated within the geographic boundaries of the Central Illinois District. The ability of each borrowing congregation or organization to repay its loan will generally depend upon the amount of contributions it receives from its members. The number of members of each congregation and the per capita contribution have fluctuated in the past and will continue to fluctuate. To the extent that a congregation or organization granted a loan experiences a decrease in revenues, payments on the loan may be affected adversely.

8. The Fund will use the proceeds from the sale of its Notes to carry on church development activities by making loans to member congregations of the Central Illinois District of the Lutheran Church – Missouri Synod, the District itself, LCMS schools and colleges, entities and associations qualifying as Central Illinois District Recognized Service Organizations, entities and associations qualifying as LCMS Recognized Service Organizations, and entities owned and/or operated by member congregations, including participation with church extension funds from other districts and Lutheran Church Extension Fund-Missouri Synod (“LCEF”) on loans deemed creditworthy and when excess resources within the Fund are available. Any Note proceeds not used as described above will be invested pursuant to the Fund’s investment policies.
9. Below is a summary in tabular form of certain selected financial data with respect to the Fund’s operations for its most recent fiscal year. This data has been compiled by management from the Fund’s audited financial statements, and it should be read in conjunction with the most recent audited financial statements of the Fund which are attached hereto as Appendix A.

<u>Description of Selected Financial Data of the Fund</u>	<u>12/31/2022</u>
Cash and cash equivalents .....	\$ 1,644,349
Loans, net .....	\$ 17,751,996
Unsecured loans receivable .....	\$ 0
as a percentage of loans, net .....	0%
Loan delinquencies in excess of 90 days as a percentage of loans, net .....	0.00%
Investments .....	\$ 15,303,490
Notes payable to investors .....	\$ 25,296,831
Note activity for the year then ended:	
New investments .....	\$ 1,502,801
Reinvestments .....	\$ 2,071,144
Redemptions .....	\$ 2,961,629
Unrestricted net assets .....	\$ 9,112,573
Change in unrestricted net assets for the year then ended .....	\$ (867,650)

## RISK FACTORS

### **A. Unsecured and Uninsured Investments**

The evidences of indebtedness to be issued pursuant to this offering are generally unsecured obligations of the Church Extension Fund and are not SIPC or FDIC insured deposit accounts. The repayment of the principal and interest thereon is dependent solely upon the financial condition of the issuer.

### **B. No Sinking Fund or Trust Indenture**

There is no “sinking fund” or trust indenture that has been or will be established for repayment of the Notes.

### **C. Ranking and Priority**

The instruments issued hereunder are not now subordinated to any other securities issued by the Church Extension Fund. There will also be subsequent issues of securities which, when issued, will have equal rank with securities heretofore issued and those issued hereunder. The amount of any senior secured indebtedness to which the Notes are or will be subordinated shall not exceed ten percent (10%) of the tangible assets of the Church Extension Fund.

### **D. No Market**

There is no market for the Notes and there is no assurance that a market will develop. Consequently, investors are not able to resell any Notes purchased. However, the practice and policy of the Church Extension Fund has been to honor requests for early redemption, as set forth below in the “Transferability and Early Redemption” section on page 12.

### **E. No Guarantee to Repay**

The Church Extension Fund has suffered no financial losses in the past decade which have caused the ordinary operating expense to exceed the ordinary operating income of the Fund. Historically, the Church Extension Fund has been able to make payments of principal and interest on the Notes when due. No guarantee or representation is made for future financial conditions and ability to repay Notes.

### **F. Liquid Funds**

Liquid funds equal to at least ten percent (10%) of the total Notes outstanding are maintained in cash and readily convertible investments for the payment of interest and redemption of Notes. To provide for additional short term liquidity, the Church Extension Fund maintains a \$500,000 unsecured line of credit from LCEF.

### **G. Tax Consequences**

Interest paid or payable on the Notes will normally be taxable as ordinary income to an investor, regardless of whether the interest is paid out or retained and compounded. See “Tax Aspects” on page 13.

### **H. Loans Outstanding**

The Church Extension Fund has a substantial portion of its loan portfolio outstanding to congregations of the Central Illinois District of the Lutheran Church – Missouri Synod, all concentrated within the geographic boundaries of the Central Illinois District. The ability of each borrowing congregation or organization to repay its loan will generally depend upon the amount of contributions it receives from its members. The number of members of each congregation and the per capita contribution have fluctuated in the past and will continue to fluctuate. To the extent that a congregation or organization granted a loan experiences a decrease in

revenues, payments on the loan may be affected adversely.

### **I. Loan Policy**

The Church Extension Fund is incorporated under the laws of the state of Illinois as a not-for-profit corporation organized for the primary benefit of the member congregations of the Central Illinois District of the Lutheran Church – Missouri Synod. The relationship of the Church Extension Fund cannot be compared to that of a commercial lender. In view of its relationship to its borrowers, the Church Extension Fund may be willing to accept partial, deferred, or late payments. Loans and funds made available to member congregations may be at interest rates and terms not generally offered by traditional commercial lenders. Loans are primarily secured with church and school properties which are considered “special purpose uses” and may have limited market value in the event of a forced sale or foreclosure.

### **J. Changes in the Law**

Changes in the Federal or State laws may make it more difficult or costly to offer and sell such notes in the future. The Church Extension Fund does not anticipate that the continued sale of its Notes will be necessary to service its Notes. However, a decrease in the sales of its Notes could affect the ability to meet such obligations if it did become necessary to rely on these sales.

### **K. Activities**

Monies received by the Church Extension Fund from the sale of its unsecured evidences of indebtedness are used to make funds available for purposes allowed in its Bylaws, including capital expansion and ministry purposes. Loans are generally secured by a mortgage on the real property of the borrower.

In addition, the Church Extension Fund may hold an interest as Land Contract seller of a relatively few properties. These Land Contracts generally stem from the sale of church-owned properties.

There are no other activities of the Church Extension Fund other than the operations described within this Offering Circular which the Fund anticipates would have a material financial impact on the operation of the Fund.

### **L. Ability to Repay Notes**

The securities issued by the Church Extension Fund are of various maturities. Historically, the Church Extension Fund has been able to meet principal and interest requirements on its outstanding investment obligations from the principal and interest it receives on its outstanding loans and from available reserves. Because of the non-liquid nature of outstanding loans, repayment of outstanding Notes by the Church Extension Fund may depend to some extent on the continued sale of investment securities and renewal of investments by a percentage of existing Note holders.

**M. Geographic Concentrations**

There are risks related to geographic concentration of loans to affiliate churches or other related organizations within a limited region, such that changes in economic conditions of that region could affect the ability of the churches or organizations, as a group, to repay the loans. See also Risk Factor “H” above.

**N. Low Rates Not Indicative of Relative Risk**

Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes.

**O. Material Loans**

As of December 31, 2022, the Fund had four (4) loans that each exceeded the greater of \$1,500,000 or 5% of the total assets of the Fund. The outstanding aggregate principal balance of these loans, as of December 31, 2022, was \$11,211,676. If the Fund experiences any significant losses on these loans, the Fund’s resulting financial condition could adversely affect its ability to repay Notes. See Material Loans to Single Borrowers on page 10.

**HISTORY AND OPERATIONS**

The Central Illinois District of the Lutheran Church – Missouri Synod (“District”) is one of 33 geographic districts of the Lutheran Church – Missouri Synod (“LCMS “ or “Synod”) located in the United States of America. The Synod also has two non-geographic districts, the English District, and the SELC District (formerly known as the Synod of Evangelical Lutheran Churches). According to statistics compiled by the Synod, the Synod is the second largest Lutheran denomination in the United States. See “Synod History and Organization” below.

The District is an Illinois not-for-profit corporation incorporated in 1961. It is responsible for the work of the Synod in Central Illinois. The District is administered by its Board of Directors who, along with the District’s officers, are elected by representatives of its member congregations at the District triennial conventions. The Constitution of Synod is also the Constitution of each District of Synod; however, each District is at liberty to adopt such bylaws and pass such resolutions as it deems expedient for its conditions, provided that such bylaws and resolutions do not conflict with the Constitution and Bylaws of Synod. The membership of the District consists of 151 congregations which are the members of Synod located within the District’s geographic bounds. The District’s 151 congregations have a combined membership of approximately 50,000 communicant members. The District’s executive offices are located at 1850 N. Grand Avenue West, Springfield, Illinois 62702, and the telephone number is (217) 793-1802, fax number is (217) 793-1822, email address is cid@cidlcms.org, and the website is www.cidlcms.org.

The Fund was incorporated separately from the District in 1995 as an Illinois not-for-profit corporation. The Fund is controlled and operated by the Board of Trustees of the Fund. They are responsible for the supervision and administration of the Fund and report to the member congregations at the Central Illinois District Church Extension Fund’s triennial convention. Hereafter in this Circular, The Central Illinois District Church Extension Fund, Inc. Board of Trustees will be referred to as the “Board”.

The Church Extension Fund is administered by a seven-member Board of Trustees, none of which can hold membership on the District’s Board of Directors or committees. The purpose of this corporation is to aid the member congregations and agencies of the Central Illinois District to finance the acquisition of land and in the purchase, erection, and improvement of facilities for effective programs of ministry, witness, outreach, and service for the expansion of God’s Kingdom in the Central Illinois District. The constitution of the Lutheran Church – Missouri Synod and the applicable provision of the Bylaws governing the Synodical Districts will govern this corporation.

The mission of the Church Extension Fund is to make funds and services available to congregations for building efforts in support of The Great Commission (Matthew 28).

All assets, liabilities, including the responsibility and liability for the demand and time certificates offered hereby, are that of the Church Extension Fund. Investors in the Fund will be repaid from the Fund’s unrestricted assets.

All investor information is confidential. Telephone requests for information require verification of certain information.

**SYNOD HISTORY AND ORGANIZATION**

The origin of the Lutheran denomination dates from the reformation of the Roman Catholic Church in the early 16<sup>th</sup> Century in Germany.

The Synod was organized in the State of Missouri in 1847 and was formally incorporated in 1894 as a Missouri non-profit religious corporation.

The Synod, its Districts, and its affiliated organizations, are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (“Code”), are not private foundations under Section 509 of the Code and are organized and operated exclusively for religious educational, charitable, and benevolent purposes.

The Synod’s principal offices are located at 1333 South Kirkwood Road, St. Louis, Missouri, 63122-7226.

The Synod, as a not-for-profit corporation, has no shareholders, and is controlled by its members. The voting

membership of the Synod consists of its member congregations throughout the United States. In addition, the Synod has non-voting members consisting of pastors and teachers on the roster of Synod. The Synod functions as a democratic organization through regular triennial conventions of delegates selected by the voting members. The Synod meets in convention on an international level every three years.

The delegates to the convention elect the Synod's officers and its Board of Directors, which consists of not less than seven members, including the President and Secretary of the Synod. Delegates of the triennial conventions elect boards with specific responsibilities for various Synod functions. Each of these boards make decisions within the framework of the general policy set forth in the Synod's constitution, articles of incorporation, bylaws, and convention resolutions, and implements these decisions through its staff personnel.

The Synod is formed as a Missouri nonprofit corporation pursuant to its articles of incorporation. The Synod also has a constitution and bylaws which establish in detail the purposes and function of the Synod, its officers, and various boards.

Amendments to the Synod's constitution, articles of incorporation or bylaws may be made only upon affirmative vote of delegates in convention.

Resolutions, adopted only at convention, govern general policies and objectives of the Synod, and must be consistent with the Synod's articles of incorporation, and bylaws.

## **DISTRICT HISTORY AND ORGANIZATION**

The Synod has established 33 "geographic" districts and two "non-geographic" districts in the United States in order to more effectively achieve its objectives and carry out its activities. Each "geographic" district generally covers portions of one or more states while the "non-geographic" districts operate at large throughout the United States.

The Central Illinois District was established in 1907, with boundaries being determined by state borders and railroad lines. The District was incorporated in 1961 under the laws of the State of Illinois as a General Not-For-Profit Corporation.

## **USE OF PROCEEDS**

The proceeds received by the Church Extension Fund upon the issuance of its evidence of indebtedness will be used or retained, together with other funds, for loans, grants and other funding as permitted in its Bylaws, including funds to member congregations of the District, the District itself, LCMS schools and colleges, entities and associations qualifying as Central Illinois District Recognized Service

Organizations, entities and associations qualifying as LCMS Recognized Service Organizations, and entities owned and/or operated by member congregations, to acquire property, to erect and furnish buildings, which contribute to the ministry and purposes of the Central Illinois District and its member congregations. Loans are also made to establish congregations, to the Central Illinois District itself, and Lutheran entities and associations as outlined in their Bylaws, for capital expansion and ministry purposes. From time to time, the Church Extension Fund may also participate with LCMS church extension funds in other districts or the LCEF on credit-worthy lending opportunities, when excess resources within the Fund are available. Likewise, LCMS church extension funds from other districts and the LCEF may also participate on loans within the Central Illinois District in order to diversify risk on said loans, chiefly attributed to the magnitude of the loan relevant to the overall loan portfolio of the Church Extension Fund.

The Fund may purchase sites for future potential use, including for the construction of churches and other church facilities, including Sunday School and parochial school classrooms and facilities. Currently, the Fund holds no such properties.

Proceeds from the sale of Notes may be invested in interest-bearing obligations pending utilization and are not necessarily earmarked for any particular loan or program.

The Church Extension Fund also operates a Grants Program at its discretion to help foster and promote ministry in the Central Illinois District. These funds are granted to Lutheran organizations and entities for development of new and innovative forms of ministry. The Grants Program requires a congregation or other applicant to submit a request for inclusion in this program. The Board of Trustees evaluates the grant request on the basis of internal guidelines and criteria and makes the determination whether or not the request will be granted, and if so, in what amount.

To the extent that the Church Extension Fund is blessed with excess earnings, the Board of Trustees may designate a portion of the year's financial results to be distributed in the form of mortgage interest rebates. These rebates are available only on loans with interest terms based on the Church Extension Fund's standard-offered interest rate and which meet borrower loan criteria as established by the Board. While not guaranteed, these rebates have been paid in all years for which financial information is included in this offering circular.

## **FINANCING AND OPERATIONAL ACTIVITIES**

**1. Outstanding Notes Payable**—The Church Extension Fund's primary means of generating funds for church development activities is through the sale of its Notes. The following chart sets forth the types of Notes and debt obligations that have been sold and are outstanding as of December 31, 2022:



<u>Term</u>	<u>Notes Payable</u>
6 Month Fixed Rate	127,365
12 Month Fixed Rate	2,062,461
18 Month Fixed Rate (Special Term)	1,300,662
24 Month Fixed Rate (Special Term)	7,816,637
36 Month Fixed Rate	2,938,725
60 Month Fixed Rate	9,468,246
Demand Savings	1,582,735
Total	<u>\$ 25,296,831</u>

### Maturities – Notes Payable

The following chart states the principal maturities of Notes payable for each of the next 5 fiscal years. The Church Extension Fund believes that it will be able to pay any redemptions from repayments of loan principal and interest expected to be received for the same periods.

<u>Year</u>	<u>Maturities</u>
Demand	\$ 1,582,735
2023	12,130,305
2024	6,216,005
2025	2,813,800
2026	1,217,028
2027	1,336,958
Total	<u>\$ 25,296,831</u>

During 2021, the Fund's Savings Stamp and Growth Bond program was terminated. The total value of all savings stamps and growth bonds at the end of 2020 was \$99,050.

In 2021, these growth bonds, matured and unmatured, were redeemed after a notification period, and outstanding savings stamps were refunded upon presentation to the Fund.

## **2. Receipts and Redemptions**

The chart below is a comparative investment and redemption report of activity for the years ending December 31, 2020, 2021, and 2022 for Notes issued by the Fund. "Investments" includes interest compounded and added to the principal balance. Reinvestment denotes those Notes that were reissued into new investment Notes. Flexible Savings (Demand) Account redemptions include money redeemed from Capital Campaign Flexible Savings Accounts for monthly mortgage payments.

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Beginning Balance	\$24,890,296	\$26,190,625	\$26,755,659
<i>New Investments:</i>			
Notes	3,032,421	2,960,064	2,913,661
Less Reinvestments	(439,188)	(370,591)	(2,071,144)
Net New Notes	2,593,233	2,589,473	842,517
Flex	881,102	939,672	660,284
Stamps and Bonds	5,254	3,292	0
<i>Total New Investments</i>	3,479,589	3,532,437	1,502,801
<i>Redemptions:</i>			
Notes	(1,177,404)	(2,170,406)	(2,168,084)
Flex	(991,931)	(694,655)	(793,545)
Stamps and Bonds	(9,925)	(102,342)	0
<i>Total Redemptions</i>	(2,179,260)	(2,967,403)	(2,961,629)
<u>Ending Balance</u>	<u>\$26,190,625</u>	<u>\$26,755,659</u>	<u>\$25,296,831</u>
<u>Net Increase/(Decrease)</u>	<u>\$ 1,300,329</u>	<u>\$ 565,034</u>	<u>\$(1,458,828)</u>

## **3. Loans Receivable**

Outstanding loan balance receivable, with the average interest rates, and without deduction for loan loss reserves, are shown below for the year ending December 31, 2022.

<u>Receivables</u>	<u>Avg. Int. Rate</u>	<u>Principal</u>
Mortgages – Congregations	4.39%	\$ 14,512,991
Mortgages – Schools	2.21%	5,024,283
Mortgages – District	4.50%	109,722
<u>Total</u>	<u>3.83%</u>	<u>\$ 19,646,996</u>

Following is a summary of the principal maturities of loan balances (as of December 31, 2022) which are expected to mature in the upcoming years:

2023	\$ 985,839
2024	1,024,411
2025	1,064,750
2026	1,106,940
2027	1,151,065
2028-2032	5,838,075
2033-2037	4,931,499
2038-2042	3,160,564
2043-2047	<u>383,853</u>
TOTAL	\$ 19,646,996
Less Uncollectible Loan Reserve	<u>(\$ 1,895,000)</u>
TOTAL	<u>\$ 17,751,996</u>

## **4. Non-Related Revenues and Expenses**

During the past fiscal year, ending December 31, 2022, there were no direct or indirect Fund revenues or expenses from non-related activities.

### LENDING ACTIVITIES

#### Nature and Type of Loans

Loans are made to various borrowers as previously described above in the section "Use of Proceeds" (see page 8). Loans are made for real estate acquisition, construction, renovation, relocation, repairs, and furnishings.

Church Extension Fund loans are primarily interest-bearing loans which are normally secured by recording a mortgage on the property and buildings for which the funds are to be used. Interest rates are determined by the Board of Trustees, based on the recommendation of the Board's ALCO Committee. The standard offering is a two-year adjustable rate loan. The interest rate is subject to change on each two-year anniversary of the note. When interest rates decrease in general, CEF reserves the right to pass along the reduction in rate to each outstanding loan as long as the payment on that loan is current. Generally, loans are offered with an amortization of up to twenty-five years.

In the case of a Mission Congregation, as defined by the Central Illinois District, a graduated interest rate may be charged.

**Loan Policy and Underwriting**

Factors considered in deciding on the issuance of a loan include: a) the purpose toward which the funds will be used and how such will aid the ministry; b) the history of the congregation, including member and financial statistics; c) projected community and membership population; d) an analysis of past, current, and projected financial capacity of the congregation; e) a cost analysis of the project, and f) a review of the architectural plans and specifications. It is required that the Church Extension Fund loan be secured by a first mortgage on the subject property.

In connection with loans made to congregations, investment support provided by members of the borrowing congregation is considered. At the discretion of the Church Extension Fund, the current Church Extension Fund Investment Incentive Program may be required, said program encouraging the borrowing congregation’s members and congregation to hold investments up to 25% of the loan amount in Church Extension Fund Notes.

**Material Loans to Single Borrowers**

Loan requests in excess of the greater of \$1,500,000 or 5% of total assets are subject to review and approval by the Special Loans Committee. As of December 31, 2022, four (4) loans in this category with an aggregate borrowed balance of \$11,211,676 remain in the loan portfolio. One of the institutions securing one of the loans in this category suffered a catastrophic event during 2022 which has rendered the facility under their loan unusable. The maximum allowable insurance for the catastrophe has been collected and applied to the loan balance, leaving a remaining balance of \$2,455,412 for the loan as of December 31, 2022. To support the institution during this difficult time, the Church Extension Fund has reduced their interest rate and extended various reduced payment options to them. The institution is reviewing different courses of action going forward, is pursuing a capital campaign to raise funds, and fully intends to fulfill their commitment under their loan. The situation is subject to continued review by the Board of Trustees and reevaluation based on newly acquired information.

**Loan Delinquencies**

At the end of each three-year period ending December 31, 2022, none of the Fund’s loans was more than ninety (90) days past due. There can be no assurance that delinquencies will not increase in the future.

**Loan Loss Reserves**

The Church Extension Fund established its allowance for loan losses to comply with generally accepted accounting principles. While the Board is not anticipating any losses based on evaluation of its loans, during 2022 the Board

increased the allowance by \$1,055,000 after impairment of a loan where the facility under the loan suffered a catastrophic event. Loans are classified as impaired when placed on nonaccrual status, among other considerations. As of December 31, 2022, the aggregate allowance for loan losses was \$1,895,000 and is considered adequate to provide for potential losses.

**INVESTING ACTIVITIES**

The Church Extension Fund maintains an investment portfolio for liquidity purposes and until funds are disbursed for new loans. The investment portfolio is managed by the Executive Director of the Church Extension Fund, pursuant to the Investment Policy established by the Board of Trustees. A conservative approach is taken toward the investments of reserve dollars with the portfolio generally limited to the following: federally insured Investment Certificates (ICs), Lutheran Church Extension Fund Securities, government securities, and money market funds/savings accounts. Remaining principal maturities of various investments, as of December 31, 2022, ranged from zero to three years:

Demand	\$ 1,644,349
2023	3,410,240
2024	10,893,250
<u>2025</u>	<u>1,000,000</u>
Total	<u>\$16,947,839</u>

The following chart indicates the types and dollar amounts of investments held at cost which approximates market value (in the case of U.S. Treasuries, including amortization of discount at purchase) as of December 31, 2022:

	<u>Amount</u>	<u>% of Portfolio</u>
Cash and cash equivalents	\$ 1,644,349	10%
Lutheran Church Extension Fund IC’s	8,906,669	52%
Other Financial Institution IC’s	5,395,000	32%
U.S. Government Securities	1,001,821	6%
<u>Total</u>	<u>\$ 16,947,839</u>	<u>100%</u>

**MANAGEMENT’S FINANCIAL SUMMARY**

Management regularly reviews the overall financial condition of the Church Extension Fund. This is done in part by reviewing past and expected performance in certain key areas. Complete financial information and other data are presented at each regular meeting of the Church Extension Fund Board of Trustees. A certified audit is performed annually.

*Source of Funds for Payment of Notes*

Historically, interest and principal payments of Notes have been made primarily from the amounts received as principal and interest payments on outstanding loans. The Church Extension Fund anticipates that it will continue to experience similar results in the future. To date, repayments of loans receivable have been sufficient to fund redemptions of term Notes.

*Capital Adequacy*

The capital position of the Church Extension Fund has supported the financial position and operations of the Fund. For the fiscal year ended December 31, 2022, net assets were equal to 26.18% of total assets. The Fund strives to maintain a strong capital position to support its growth and operations.

*Liquidity*

The Fund maintains an operating liquidity to provide for cash requirements for loan requirements as well as investor interest and redemptions. For the fiscal year ended December 31, 2022, cash and cash equivalents and readily convertible investments had a market value equal to 67% of its outstanding Notes. For additional short term liquidity, the

Church Extension Fund maintains a \$500,000 unsecured line of credit from LCEF.

*Loan Delinquencies*

At December 31, 2022, the Church Extension Fund had no loans with payments over 90 days past due.

*Profitability*

The Church Extension Fund strives to manage its operations to provide interest income sufficient to fund interest expense on its Notes payable and operating expenses. The Fund has achieved positive operating income each of the past five years. Net income in 2022 was positive before the recognition of an increase in the allowance for loan losses and was positive in each of the prior four years.

**SELECTED FINANCIAL DATA**

Selected financial data is set forth below with respect to the Church Extension Fund and its operations for the most recent five (5) fiscal years.

<u>Description of Selected Financial Data of the Fund</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Cash and cash equivalents.....	\$ 1,644,349	\$ 3,037,815	\$ 2,192,196	\$ 1,403,182	\$ 882,745
Loans, net .....	\$ 17,751,996	\$ 20,133,954	\$ 21,150,826	\$ 22,314,262	\$ 22,860,892
Unsecured loans receivable .....	\$0	\$0	\$0	\$0	\$0
as a percentage of loans, net.....	0%	0%	0%	0%	0%
Loan delinquencies in excess of 90 days as a percentage of loans, net.....	0%	0%	0%	0%	0%
Investments .....	\$ 15,303,490	\$ 13,831,619	\$ 12,861,644	\$ 11,006,669	\$ 10,606,714
Notes payable to investors .....	\$ 25,296,831	\$ 26,755,659	\$ 26,190,625	\$ 24,890,296	\$ 24,756,987
Note and flex accounts payable activity for the year then ended:					
New accounts including compounded interest, exclusive of reinvestment .....	\$ 1,502,801	\$ 3,532,437	\$ 3,479,589	\$ 3,324,142	\$ 1,600,651
Reinvestments .....	\$ 2,071,144	\$ 370,591	\$ 439,188	\$ 4,933,591	\$ 1,726,935
Redemptions, excluding reinvestment ...	\$ 2,961,629	\$ 2,967,403	\$ 2,179,260	\$ 3,190,833	\$ 3,679,557
Unrestricted net assets .....	\$ 9,112,573	\$ 9,980,223	\$ 9,708,093	\$ 9,522,915	\$ 9,370,127
Change in unrestricted net assets for the year then ended.....	\$ (867,650)	\$ 272,130	\$ 185,178	\$ 152,788	\$ 263,680

**DESCRIPTION OF NOTES**

The types of Notes offered by the Church Extension Fund, and their related terms, are described below.

**Interest**

Investments offered by the Church Extension Fund are debt securities with rates of interest set upon the original purchase date and remaining fixed for the term. Interest rates are determined by the Board of Trustees at their regular meetings or by action at a special meeting of the ALCO Committee, which is presently comprised of the Fund’s President, Secretary-Treasurer and Vice-President from the Board of Trustees. A simple majority of the Board is

required to change rates, while a unanimous consensus is required of the ALCO Committee to recommend a rate change. Rates are determined taking into consideration current rates for other similar instruments and current market conditions.

Interest on Fixed Rate Notes is compounded semi-annually and is paid to the investor or added to the amount due under the Note, as elected by the investor. Interest on Flexible Savings Accounts is compounded monthly and is added to the amount due under the Flexible Savings Account.

### **Fixed Rate Notes**

Fixed Rate Notes pay interest at rates which remain fixed throughout their term and are available for terms of six (6), twelve (12), thirty-six (36), sixty (60) months, and at any special terms offered.

### **Flexible Savings Account**

Two types of Flexible Savings accounts are offered by the Church Extension Fund. The first is the Regular Flexible Savings Account offered to all investors, and the second is a Capital Campaign Flexible Savings Account offered to Central Illinois District LCMS organizations having capital campaign funds. Both pay at an interest rate subject to adjustment by the ALCO Committee or the Board of Trustees based on market conditions. Additions to, and redemptions from, a Flexible Savings Account may be made at any time without penalty. The Church Extension Fund reserves the right, however, to require a fifteen (15) day notice of any redemption of funds from a Flexible Savings Account.

### **Maturity/Automatic Renewal**

Notes are automatically renewable at the option of the Church Extension Fund for a term equal to the original term of the maturing Note, unless specifically stated in the Note. If the term of the Note is no longer offered, automatic renewal will occur for the next term of shorter duration. Investors will be provided with a renewal notice in writing one month prior to maturity. If presentation and written demand for payment are not timely made by ten (10) days following the maturity date, such Note may be automatically renewed for continuous terms equal to the original term, the term specifically stated in the Note, or the next shorter term, if the original term is no longer offered, at the prevailing interest rate then offered for Notes having that length of maturity, until such demand for payment is made by the investor at the next maturity date.

The Church Extension Fund may call any Note for redemption upon sixty (60) days written notice to the investor.

### **Transferability and Early Redemption**

The evidences of indebtedness to be issued hereby are not negotiable and are not transferable and are redeemable only upon endorsement, presentation, and surrender at the office of the Church Extension Fund. Notes may be assigned only upon the written consent of the Church Extension Fund.

Upon the death of one of the owners of the Note(s), the Church Extension Fund will redeem said Note(s) without penalty for early redemption, convert ownership of the existing Note(s) to the surviving co-owner(s), or transfer all or part of the proceeds into another investment under the

rates and terms offered potential investors at that time and upon presentation of a properly completed application for investment.

The Church Extension Fund will also honor requests from holders of Notes issued in individual or joint ownership names to transfer ownership of Note(s) to a trust without altering the original interest rate, maturity, or other terms of the Note(s).

If the proceeds of a Note are requested by the investor before maturity, Notes with terms of 12 months or less will incur a 30-day interest penalty for early redemption, while Notes with terms of 13 months or greater will incur a 60-day interest penalty for early redemption.

The Church Extension Fund is not required to redeem any Note prior to its maturity. However, as a matter of policy and practice, the Church Extension Fund may redeem without penalty, at its discretion, any Note regardless of maturity, at the request of the investor, upon the evidence of necessity or emergency.

The Church Extension Fund reserves the right to require thirty (30) days' notice (or fifteen (15) days' notice in the case of a Flexible Savings Account) of any redemption of funds from any Note.

### **Acceptance of Funds**

The Church Extension Fund will accept payment for the purchase of its Notes and other investments in the form of cash, personal check, cashier's check, or money order. The Fund may decline to accept an investment at any time at its sole discretion.

### **Ranking and Priority**

The securities issued hereunder are not now subordinated to any other debt of the issuer. The amount of any senior secured indebtedness to which the Notes are or will be subordinated shall not exceed ten percent (10%) of the tangible assets of the Church Extension Fund. There will be subsequent issues of securities which, when issued, will have equal rank with securities heretofore issued and those issued hereunder. The Church Extension Fund has the authority and power to issue its Notes and evidences of indebtedness without any express limitation as to amount. The holders of all of its Notes and other instruments of indebtedness are "unsecured creditors" of the Church Extension Fund and, as such, they have such rights as are extended by law to unsecured creditors in the event of default. There is no "sinking fund" for repayment.

### **PLAN OF DISTRIBUTION**

The primary means for offering the Notes is through promotional materials, and Offering Circulars which may

be distributed to each congregation in the Central Illinois District and mailed directly to current investors. Promotional material is also published in District publications. Promotional material and the Offering Circular are available on the Church Extension Fund's webpage (<http://www.cid-cef.org>). In addition, promotional material is distributed at church conferences, conventions, retreats, and seminars.

A representative of the Church Extension Fund also may discuss the nature and purpose of the work of the Church Extension Fund at District meetings or at congregational services or gatherings.

All promotional material contains the telephone number and email address of the Church Extension Fund where potential investors may request an Offering Circular. There is also a link from the Central Illinois District Home Page to the Church Extension Fund where investors may obtain an Offering Circular as well as an Investment Application form. No new offers to purchase will be accepted prior to the time that an investor has signed an application acknowledging receipt of an Offering Circular.

There are no underwriters participating and there are no selling agreements in the distribution of the securities offered. No direct or indirect commissions or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Notes described within this Offering Circular.

### **TAX ASPECTS**

Investors will not receive a charitable deduction upon the purchase of a Note. The interest paid or payable on the Notes will be taxable as ordinary income to the holder in the year it is paid or accrued. Thus, as to interest accrued over the life of a Note, to be paid at the maturity date, all investors must report such interest as income on their Federal income tax returns and State income tax returns, if applicable, ratably over the life of the Note as interest accrues. Transferability of the Notes is limited, and it is unlikely that there would be a sale or exchange of a Note. See "Transferability and Early Redemption" on page 12. Purchasers who hold Notes until their maturity will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income.

Any individual investor (or husband and wife together) who has (have) invested or loaned more than \$250,000 in aggregate with or to Synodical Corporations (Districts, District CEF's, colleges and seminaries, the LCEF, and other Synodically-controlled organizations) may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code. Such investors should consult their tax advisor to be informed of the special income tax rules applicable to loans and investments, in the aggregate, greater than \$250,000.

Federal law requires the Church Extension Fund to withhold federal income tax at a specified rate from any interest payment paid by the Church Extension Fund if the investor has not properly furnished a certified Taxpayer Identification Number ("TIN") and has not certified that withholding does not apply. If the Internal Revenue Service ("IRS") has notified the Church Extension Fund that a TIN listed on an investor's account is incorrect according to its records, the Church Extension Fund is required by the IRS to withhold the prescribed percentage of any interest payments. If the amount withheld results in an overpayment of taxes, the investor may obtain a refund from the IRS.

The Church Extension Fund will notify investors of interest earned (totaling \$10.00 or more) by sending them IRS Form 1099 by January 31 of each year. Investors who choose to contribute their earnings for certain operating programs of the Synod also will receive IRS tax Form 1099 which will report all earnings, including any amounts contributed for certain operating programs of the Synod. Contributed amounts would, however, constitute a charitable contribution for those investors who are able to itemize deductions.

The Church Extension Fund suggests investors consult their tax advisor for the proper reporting of income earned from various Church Extension Fund investments.

### **LITIGATION AND MATERIAL TRANSACTIONS**

To the best of its knowledge, the Church Extension Fund of the Central Illinois District of the Lutheran Church Missouri Synod is not aware of any action, proceeding, inquiry, or investigation at law or in equity, before or by any court or public board or body, pending or to the knowledge of the Church Extension Fund threatened against it (i) affecting the existence of the Church Extension Fund (ii) seeking to prohibit, restrain, or enjoin the issuance and sale of the Notes (iii) in any way contesting or affecting the validity or enforceability of the Notes, or (iv) in which an adverse determination would have an adverse material impact on the Church Extension Fund. Further, there are no other known transactions or matters that may materially affect the offering of Notes.

### **CHURCH EXTENSION FUND MANAGEMENT**

#### **Organization and Structure**

The Central Illinois District Church Extension Fund, Inc. is incorporated in the State of Illinois as a Not-For-Profit Corporation pursuant to the provisions of "The General Not-For-Profit Corporation Act of 1986".

#### *Purpose*

The purpose of the Church Extension Fund, as defined by its Bylaws, is to aid the member congregations and agencies of the Central Illinois District of the Lutheran Church – Missouri Synod to finance or refinance the acquisition of

land and in the purchase, erection and improvement of facilities for the effective programs of ministry, witness, outreach, and service for the expansion of God's Kingdom in the Central Illinois District of the Lutheran Church – Missouri Synod. The purpose for which funds and assistance may be provided shall include, but not be limited to acquiring property, erecting buildings, purchasing furnishings, and supporting of the above; all purposes, however, shall contribute to the ministry and purposes of the Central Illinois District and its member congregations.

#### *Board of Trustee Membership*

The business and affairs of the Church Extension Fund are governed by and under the direction of its Board of Trustees. This Board consists of seven (7) elected persons. The elected trustees consist of two (2) Ministers of Religion-Ordained or Commissioned, two (2) laymen, one (1) President, one (1) Vice-President, and one (1) Secretary/Treasurer. They are elected by the Central Illinois District Church Extension Fund at its regular convention held tri-annually. Each congregation is represented by two voting delegates at the convention – one clergy and one layman. The delegates to the Central Illinois District convention are also the delegates to the Central Illinois District Church Extension Fund convention.

The Board of Trustees has the power to transact the business of the Church Extension Fund between conventions, subject to the Bylaws and policies of the Church Extension Fund. They are empowered to hold, purchase, and sell property, real and personal, make loans, hold, and give and take mortgages.

Any vacancy occurring in any elective office shall be filled by appointment by the President with the approval of the Board of Trustees in the respective classification of Minister of Religion – Ordained or Commissioned, or layman.

Members thus appointed shall serve out the terms of the person succeeded. If the unexpired term is less than 1 ½ years, it shall not prevent re-election for four successive terms thereafter.

The trustees are elected for a term of three (3) years. They may be elected for four (4) consecutive terms, after which a period of three (3) years shall elapse before they are again eligible for election as trustees.

All trustees elected at the convention are inducted into office in an installation ceremony at the convention and begin their terms of office within 45 days after their election.

#### *Organization*

The regular convention of the Central Illinois District Church Extension Fund elects to the Board of Trustees a President, a Vice –President and a Secretary/Treasurer. The

Board then appoints any such subcommittees as it considers necessary for the efficient conduct of its business.

Trustees serve without compensation. They do receive, however, reimbursement for travel expenses in connection with authorized Board business.

There are no known business conflicts of interest of the Church Extension Fund's officers, trustees, or other persons having authority over the administration of the Fund.

No Trustee or officer of the Fund has been convicted of any criminal proceeding in the past ten years (other than for traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgment or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

## Trustees

### President

Mr. Darin Gehrke is the Senior Vice President and Market Lead for Central and Southern Illinois at SomerCor, a company that processes commercial loans for banks utilizing the Small Business Administration 504 loan program. Prior to his current position at SomerCor, he was the Community President for Town and Country Bank in Jacksonville, Illinois, with a focus on Commercial Lending. Darin earned his Bachelor's degree in business and communication from Illinois College and his Master's degree in higher education and student affairs from Indiana University. He is a member of Salem Lutheran Church in Jacksonville, Illinois, and has served as Elder, Treasurer, and is currently the Athletic Director at the school. He has also served as Village President of Woodson, Illinois. Darin was appointed to fill an open position on the Board in 2017 and was subsequently elected to the position in 2018. He then was appointed as Vice President in 2020 when that position became vacant and was elected as President in 2022. His current term expires in 2025.

### Vice President

Mr. David Ward is retired after a forty-year career in banking, most recently serving as President of North Central Bank in Hennepin, Illinois. He has served as Board Member and Group Director of the Community Bankers' Association of Illinois, on the Regulatory Review Committee of the Independent Community Bankers of America, Founding President of the Hennepin Business and Betterment Association, and President of the Henry Rotary Club. He earned his Bachelor of Science in finance from the University of Illinois and also holds a Degree of Distinction from the Institute of Financial Education. He is a member of St. Paul's Lutheran Church in Varna, Illinois, where he is a co-Treasurer for the church and has also served as Elder and Trustee among other roles. David was elected to the Board as a trustee in 2018 and as Vice President in 2022. His current term expires in 2025.

### Secretary/Treasurer

Mrs. Carol Radtke is retired after a thirty-year career in banking. She has held the position of Senior Vice President/Chief Financial Officer at several area community banks as well as President of a local savings bank. Carol is a Certified Public Accountant and earned her Bachelor of Science, majoring in accounting, from Central Missouri State University. Carol is married to the Rev. Dr. Thomas Radtke and is a member of Trinity Lutheran Church in Springfield, Illinois, where she fills various roles, including on the Finance Committee and as School Comptroller. Other external experience includes serving on the Synod's Lutheran Church Extension Fund Board of Directors from 2010 – 2017. Prior to her election as Secretary/Treasurer to the Central Illinois District Church Extension Fund Board in 2018 and again in 2022, she previously served on the Fund as either a Trustee or on

the Audit Committee from 1987 – 2010. Her current term expires in 2025.

### Trustee

Rev. Charles Olander has retired from the ministry but continues to serve as the Planned Gift Counselor and as a Prison Chaplain for the Central Illinois District. He has shepherded four congregations, including two in Canada and presently is a member of Zion Lutheran Church in Holland, Illinois. Before entering the ministry, he began his career in insurance and banking and was a licensed insurance agent. He earned his Bachelor of Arts in marketing from the University of Northern Iowa and his Master of Divinity from Concordia Theological Seminary in Fort Wayne. He also holds several certifications in development and gift planning from the LCMS Foundation, has served on the Board of Directors of two educational foundations, and is a Delegate at Large for the Synod's Lutheran Church Extension Fund. Pastor Olander previously served on the Central Illinois District Church Extension Fund Special Loans Committee and then was elected to the Board and served from 2003 through 2015, with his last term as Vice President. Pastor was appointed to complete the term of a resigning Board member in 2020 and was elected to the Board in 2022. His current term expires in 2025.

### Trustee

Rev. Chad Lueck is presently the Pastor at Good Shepherd Lutheran Church in Bloomington, Illinois, and has also served as Pastor in two other congregations in Kansas and Texas. While preparing for the ministry, Pastor gained accounting experience with his family's business and as Treasurer of the Lutheran Fraternity Beta Sigma Psi as well as editorial experience on the newsletter for the Wittenberg Lutheran Student Center. He earned his Bachelor of Science in communications with a minor in sociology prior to entering Concordia Theological Seminary in Fort Wayne. He has served as Circuit Visitor for the CID, Texas Circuit Secretary, Texas LWML Zone Counselor, Kansas LLL Zone Counselor and Media Coordinator for Lutheran Hour Ministries, committee member of the 150<sup>th</sup> LCMS Anniversary Committee, and as National Pastoral Advisor for the Beta Sigma Psi Lutheran Fraternity. Pastor Lueck's was elected as trustee in 2022, and his current term expires in 2025.

### Trustee

Mr. K. Rick Keller is an Attorney (of Counsel) with Orr Law, LLC in Effingham, Illinois. His prior firm, Keller & Rundle, merged with Orr Law in 2015. Mr. Keller has served as Effingham County State's Attorney, President of the Effingham Noon Rotary, and is a former member of the Illinois Commission on Juvenile Delinquency. He earned his Bachelor's degree in economics at Eastern Illinois University and his Juris Doctor degree from the Illinois Institute of Technology/Chicago-Kent in 1976. A member of St. John's Lutheran Church in Effingham, Illinois, he

has served as Elder, Chairman, Vice-Chairman, member of the Board of Education, and plays in the church's Praise Band. Mr. Keller has also served on the CID Constitution Committee. He was elected as trustee to the Fund in 2022, and his current term will expire in 2025.

#### Trustee

Mr. Kim Kleinschmidt has begun his second tour with the Fund, having previously served on the Board from 2006 to 2018 as President or Vice-President. He recently retired from banking after 43 years in the industry, 27 as a community Bank President or CEO. His most recent position was as CEO of Rochester State Bank in Rochester, Illinois. During his career, he taught at the IBA AG Lending School and also served on the Illinois Bankers Association Board of Directors and as President or Treasurer of his local Chamber of Commerce. Mr. Kleinschmidt obtained his Bachelor's degree in agricultural economics from the University of Illinois. He is presently a member of Zion Lutheran Church in Lincoln, Illinois, and has served as President and Elder at various churches of which he has been a member. He was reelected to the Fund in 2022. His current term expires in 2025.

#### Administration & Remuneration

The Board of Trustees may appoint such personnel and committees as may be needed to carry out the objectives of the Fund. Said committees then recommend their proposed actions to the Board of Trustees for approval. The Board of Trustees shall appoint the Executive Director who will serve as directed by the Board of Trustees.

The Church Extension Fund currently has a staff consisting of an Executive Director and an Assistant to the Executive Director. Additional staff may be hired at the discretion of the Executive Director with the approval of the Board of Trustees, as deemed necessary for the efficient operation of the Fund. Full-time employees participate in the pension plan for the Lutheran Church – Missouri Synod, to which the Fund contributes on their behalf. Employees are also provided health care through the health insurance plan of the Lutheran Church – Missouri Synod.

The aggregate direct and indirect remuneration received by the Executive Director and the Assistant to the Executive Director, inclusive of benefits, totaled \$273,301 in the year ended December 31, 2022.

#### Executive Director

Mrs. Christine Anderson has filled the position of Executive Director of the Church Extension Fund since June 2018. Her work experience prior to that time includes serving as Director of Finance with H. D. Smith LLC in Springfield, Illinois, Controller for Nestlé Coffee-mate in Jacksonville, Illinois, and Vice President of Accounting with both Service Advantage and Sangamon Inc. in Taylorville Illinois. She has also held positions with Mallinckrodt and with KPMG,

both in St. Louis, Missouri. Christine is a Certified Public Accountant and holds a Bachelor of Science in business administration from Southern Illinois University – Edwardsville with concentrations in accounting, finance, and MIS. She is a member of Trinity Lutheran Church, Springfield, Illinois.

#### Assistant to the Executive Director

Mrs. Susan Short started with the Church Extension Fund in July 2004. Prior to that time, Susan worked in the Tax and Internal Audit Departments of two large insurance agencies in Springfield, Illinois. She holds a Bachelor of Science with a major in accounting from University of Illinois Springfield and is a Certified Public Accountant and a Certified Internal Auditor. Susan is a member of Good Shepherd Lutheran Church, Sherman, Illinois.

### FINANCIAL STATEMENTS

The financial statements of the Church Extension Fund have been audited by the firm of Estes, Bridgewater & Ogden, Certified Public Accountants, 901 South Second Street, Springfield, Illinois 62704. Current financial statements will be made available to investors upon written request. The audited financial statements for the years 2020 through 2022 are attached hereto as Appendix A.



## **APPENDIX A**

### Audited Financial Statements

**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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# Estes, Bridgewater & Ogden

LORI K. MILOSEVICH-LAHR, C.P.A.  
TERRI L. PHELPS, C.P.A.  
JAMES C. LEGG, C.P.A.  
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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>
<b>ASSETS</b>			
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>	<u>-</u>	<u>-</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>
<b>TOTAL ASSETS.....</b>	<b><u>\$34,805,048</u></b>	<b><u>\$37,103,679</u></b>	<b><u>\$36,280,554</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
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 .....	<u>25,296,831</u>	<u>26,755,659</u>	<u>26,190,625</u>
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>
<b>NET ASSETS</b>			
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>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b><u>\$34,805,048</u></b>	<b><u>\$37,103,679</u></b>	<b><u>\$36,280,554</u></b>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>REVENUE</b>			
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>
<b>Subtotal</b> .....	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> )
<b>Total interest income</b> .....	990,932	1,030,762	1,074,293
Interest expense.....	( <u>341,752</u> )	( <u>415,028</u> )	( <u>469,120</u> )
<b>Net interest income</b> .....	649,180	615,734	605,173
 Provision for loan loss.....	<u>1,055,000</u>	-	-
 <b>Net interest income after provision for loan losses</b> .....	( 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>
 <b>Total revenue and other support</b> .....	( <u>393,160</u> )	<u>719,908</u>	<u>616,806</u>
 <b>EXPENSES</b>			
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>
 <b>NET INCOME (LOSS)</b> .....	( <b>867,650</b> )	<b>272,130</b>	<b>185,178</b>
 NET ASSETS WITHOUT DONOR RESTRICTIONS – BEGINNING OF YEAR .....	<u>9,980,223</u>	<u>9,708,093</u>	<u>9,522,915</u>
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS – END OF YEAR</b> .....	<u><b>\$9,112,573</b></u>	<u><b>\$9,980,223</b></u>	<u><b>\$9,708,093</b></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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
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>
<b>NET INCREASE (DECREASE) IN CASH.....</b>	<b>( 1,393,466)</b>	<b>845,619</b>	<b>789,014</b>
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>3,037,815</u>	<u>2,192,196</u>	<u>1,403,182</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR.....</b>	<b><u>\$1,644,349</u></b>	<b><u>\$3,037,815</u></b>	<b><u>\$2,192,196</u></b>
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>
<b>Lutheran Church Extension Fund – LCMS</b>					
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>
<b>Raymond James, Springfield, Illinois</b>					
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>
<b>U.S. Treasuries:</b>					
	<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>

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

**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.

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

**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>
<b><u>December 31, 2022</u></b>			
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	<b><u>\$277,181</u></b>	<b><u>\$197,309</u></b>	<b><u>\$474,490</u></b>
<b><u>December 31, 2021</u></b>			
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	<b><u>\$278,104</u></b>	<b><u>\$169,674</u></b>	<b><u>\$447,778</u></b>
<b><u>December 31, 2020</u></b>			
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	<b><u>\$270,653</u></b>	<b><u>\$160,975</u></b>	<b><u>\$431,628</u></b>

**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.



## **APPENDIX B**

### Investment Application

# INVESTMENT APPLICATION



## CHURCH EXTENSION FUND, INC. (CEF)

### Central Illinois District - LCMS (CID)

1850 North Grand Avenue West

Springfield, IL 62702-1626

TELEPHONE: (217) 793-1802 FAX: (217) 793-9454

EMAIL: [cef@cidlcms.org](mailto:cef@cidlcms.org) [www.cid-cef.org](http://www.cid-cef.org)

**New Investment: \$** \_\_\_\_\_  
*Make check payable to:  
 CID Church Extension Fund*

-OR-

**Existing CID-CEF Investment Certificate #** \_\_\_\_\_  
*(Signed Investment Certificate or Lost Certificate Affidavit and Indemnity Agreement must be returned with Application)*

**Reinvest \$** \_\_\_\_\_ **Redeem \$** \_\_\_\_\_

**INVESTMENT CERTIFICATES** - Minimum Investment: \$500 - Interest paid/applied and statement sent semi-annually

- |  |   |
|--|---|
| <input type="checkbox"/> 2.75% 5-year term | <input type="checkbox"/> 2.50% 3-year term  |
| <input type="checkbox"/> 2.25% 1-year term | <input type="checkbox"/> 0.75% 6-month term |
- Special Term and Rate – Limited Time!!!**
- 4.00% - 18-month term

**INTEREST PAYMENT METHOD (Choose one)**

- Accumulate interest and add to investment
- Investment check semi-annually (if over \$25)
- Direct Deposit – requires completed enrollment form  
*(Go to [www.cidlcms.org](http://www.cidlcms.org) or contact CEF to request the form)*

**INTEREST RATES ARE SUBJECT TO CHANGE – CALL TO CONFIRM CURRENT RATES**

**FLEXIBLE SAVINGS** – Interest added to account monthly, statement sent quarterly

- |  |                      |  |
|--|----------------------|--|
| <input type="checkbox"/> Regular Flexible Savings Account          | Interest Rate: 0.40% | Minimum: \$25 – available to all customers                 |
| <input type="checkbox"/> Capital Campaign Flexible Savings Account | Interest Rate: 1.00% | Minimum: \$500 – available only to religious organizations |

## Account Ownership *(Complete A, B, or C. Please print)*

**A. Sole or Joint Owners** *(One or more owners as joint tenants with full rights of survivorship and not tenants in common. Beneficiaries may be designated on "Beneficiary Designation" form. Interest is reported to the IRS using the Social Security number of the first owner listed.)*

1. \_\_\_\_\_  
*Last or Religious Organization Name      First      MI      Social Security # or TIN      Date of Birth (MM/DD/YYYY)*

2. \_\_\_\_\_  
*Last      First      MI      Social Security #      Date of Birth (MM/DD/YYYY)*

3. \_\_\_\_\_  
*Last      First      MI      Social Security #      Date of Birth (MM/DD/YYYY)*

Check if "Beneficiary Designation" form is attached     Check that all joint owners have signed application

**B. Trust** *("Certificate of Existence of Trust and Authority to Act" must be completed and sent with application)*

\_\_\_\_\_  
*Name of Trust      Social Security #/TIN*

**C. Custodian Investment for Minor** *(Under the Illinois Uniform Transfers to Minors Act)*

\_\_\_\_\_  
*MINOR Last      First      MI      Social Security #      Date of Birth (MM/DD/YYYY)*

\_\_\_\_\_  
*CUSTODIAN Last      First      MI      Social Security #      Date of Birth (MM/DD/YYYY)*

**CONTINUE TO BACK OF PAGE**

# Contact Information for Account

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Address

---

City

State

Zip

---

Home Phone

Cell Phone

Email Address

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## Supporting Investments

*(Please provide the organization to be recognized for current or future investment requirements)*

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Your Home Congregation or Other LCMS Organization

City

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## Investment Certification and Signature – Signatures of all account owners are required.

By signing this application (“I” refers to all applicants, whether one or more), I certify that:

- All information provided is true and correct.
- I am of legal age and not a minor.
- I authorize the Central Illinois District Church Extension Fund to initiate any correcting debit or credit that may be necessary.
- I have received a current Offering Circular of the Central Illinois District Church Extension Fund.
- I am a member of, contributor to, or participant in The Lutheran Church – Missouri Synod or any district or other program, activity, or organization which constitutes a part of the Synod or any of its districts, or I am an ancestor, descendant, or successor in interest to such person.
- I am a U.S. person (including a U.S. resident alien).
- The Social Security or Tax ID number shown for me on this application is correct.
- I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) the IRS has not notified me that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding. Please draw an “X” through the preceding sentence if you ARE currently subject to backup withholding. Due to IRS regulations, the Central Illinois District Church Extension Fund cannot record your investment until your Taxpayer Identification Number is provided and the above certification signed. The IRS does not require your consent to any provisions of this application other than the certifications required to avoid backup withholding.

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Signature of Account Owner/Trustee/Custodian/Authorized Signer

Date

---

Signature of Account Owner/Trustee/Custodian/Authorized Signer

Date

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Signature of Account Owner/Trustee/Custodian/Authorized Signer

Date

**The CID-CEF is a nonprofit religious organization, therefore CID-CEF investments are not SIPC- or FDIC-Insured deposit accounts.**

*The CID-CEF reserves the right to call this investment for redemption upon 60 days’ written notice and reserves the right to request 30 days’ notice of redemption prior to maturity on certificates and 15 days’ notice on flexible savings accounts. Certificates renew automatically unless the CID-CEF is notified otherwise within 10 days after maturity. Certificate is non-negotiable, redeemable with the CID-CEF upon proper endorsement, and subject to an early redemption penalty.*

**The Mission of the Central Illinois District Church Extension Fund, Inc. (CID-CEF) is to aid member congregations and agencies in the Central Illinois District of the LCMS in building and expanding their facilities and their ministry for the growth of God’s Kingdom.**