



THE  
LUTHERAN CHURCH  
Missouri Synod

Internal Audit Department



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## INTERNAL AUDITOR'S REPORT

Board of Directors  
Kansas District of  
The Lutheran Church—Missouri Synod  
Topeka, Kansas

We have audited the accompanying financial statements of the Kansas District of The Lutheran Church—Missouri Synod, which comprise the statements of financial position as of January 15, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

INTERNAL AUDITOR'S REPORT (Continued)

**Auditor's Responsibility** (Continued)

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, as internal auditors of The Lutheran Church—Missouri Synod, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas District as of January 15, 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.

THE LUTHERAN CHURCH—MISSOURI SYNOD  
Internal Audit Department

*Joann P. Spotanski*

St. Louis, Missouri  
April 26, 2021

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION  
JANUARY 15, 2021 and 2020

|   | <u>2021</u>                | <u>2020</u>                |
|---|----------------------------|----------------------------|
| <b>Assets:</b>  |                            |                            |
| Cash and Cash Equivalents   | \$ 318,604                 | \$ 149,040                 |
| Cash Restricted for Investment in Perpetual Endowments            | 388,101                    | -                          |
| Accounts Receivable   | 4,022                      | 6,992                      |
| Interest Receivable   | 5,092                      | 6,768                      |
| Prepaid Expenses  | 15,963                     | 11,345                     |
| Property and Equipment - Net (Note 5)                             | 1,296,882                  | 1,374,100                  |
| Long-Term Investments (Note 4)                                    | 5,005,021                  | 4,944,070                  |
| Cash Surrender Value of Life Insurance Policies                   | 57,306                     | 57,238                     |
| Beneficial Interests in Charitable Trusts Held by Others (Note 4) | 58,514                     | 56,090                     |
| Beneficial Interests in Perpetual Trusts (Note 4)                 | <u>73,785</u>              | <u>68,514</u>              |
| <b>Total Assets</b>   | <b>\$ <u>7,223,290</u></b> | <b>\$ <u>6,674,157</u></b> |
| <b>Liabilities:</b>   |                            |                            |
| Accounts Payable and Accrued Expenses                             | \$ 40,346                  | \$ 35,541                  |
| Refundable Advance  | 18,062                     | -                          |
| Deferred Revenue  | 62,844                     | 52,331                     |
| Funds Held in Trust for Others                                    | <u>342,766</u>             | <u>342,924</u>             |
| <b>Total Liabilities</b>  | <b><u>464,018</u></b>      | <b><u>430,796</u></b>      |
| <b>Net Assets:</b>  |                            |                            |
| Without Donor Restrictions (Note 7)                               | 3,599,505                  | 3,470,579                  |
| With Donor Restrictions (Note 8)                                  | <u>3,159,767</u>           | <u>2,772,782</u>           |
| <b>Total Net Assets</b>   | <b><u>6,759,272</u></b>    | <b><u>6,243,361</u></b>    |
| <b>Total Liabilities and Net Assets</b>                           | <b>\$ <u>7,223,290</u></b> | <b>\$ <u>6,674,157</u></b> |

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 15, 2021

|  | <u>WITHOUT DONOR<br/>RESTRICTIONS</u> | <u>WITH DONOR<br/>RESTRICTIONS</u> | <u>TOTAL</u>        |
|--|---------------------------------------|------------------------------------|---------------------|
| <u>SUPPORT, REVENUES, &amp; OTHER ADDITIONS:</u>             |                                       |                                    |                     |
| Support -  |                                       |                                    |                     |
| District Congregations (Note 1)                              | \$ 1,356,804                          | \$ 86,201                          | \$ 1,443,005        |
| Synod  |                                       | 10,438                             | 10,438              |
| LCEF (Note 10)   |                                       | 68,943                             | 68,943              |
| Other  | 17,297                                | 413,587                            | 430,884             |
| Revenues -   |                                       |                                    |                     |
| Subscriptions  | 57,345                                |                                    | 57,345              |
| Conventions, Conferences, and Workshops                      | 46,876                                |                                    | 46,876              |
| Net Investment Return  | 65,356                                | 28,328                             | 93,684              |
| Agreements with LCEF (Note 10)                               | 163,083                               |                                    | 163,083             |
| Other  | 10,711                                |                                    | 10,711              |
| Change in Value of Beneficial Interests in Charitable Trusts |                                       | 2,424                              | 2,424               |
| Change in Value of Beneficial Interests in Perpetual Trusts  |                                       | 5,271                              | 5,271               |
| Gain on Forgiveness of PPP Loan (Note 12)                    | 154,060                               |                                    | 154,060             |
| Net Gain on Property and Equipment Disposals                 | 327                                   |                                    | 327                 |
| Net Assets Released from Restrictions (Note 8)               | 228,207                               | (228,207)                          | -                   |
|  | <u>2,100,066</u>                      | <u>386,985</u>                     | <u>2,487,051</u>    |
| Total Support, Revenues, & Other Additions                   |                                       |                                    |                     |
| <u>EXPENSES:</u>   |                                       |                                    |                     |
| Program Services -   |                                       |                                    |                     |
| World and National Missions                                  | 232,910                               |                                    | 232,910             |
| Preparing Church Workers                                     | 92,184                                |                                    | 92,184              |
| Congregational Services                                      | 334,568                               |                                    | 334,568             |
| Support Services -   |                                       |                                    |                     |
| Synodical Budget   | 389,798                               |                                    | 389,798             |
| Mission and Ministry Support Services                        | 661,286                               |                                    | 661,286             |
| Ecclesiastical and Program Administration                    | 260,394                               |                                    | 260,394             |
|  | <u>1,971,140</u>                      | <u>-</u>                           | <u>1,971,140</u>    |
| Total Expenses   |                                       |                                    |                     |
| CHANGE IN NET ASSETS   | 128,926                               | 386,985                            | 515,911             |
| NET ASSETS - Beginning of Year                               | <u>3,470,579</u>                      | <u>2,772,782</u>                   | <u>6,243,361</u>    |
| NET ASSETS - End of Year                                     | <u>\$ 3,599,505</u>                   | <u>\$ 3,159,767</u>                | <u>\$ 6,759,272</u> |

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 15, 2020

|  | <u>WITHOUT DONOR<br/>RESTRICTIONS</u> | <u>WITH DONOR<br/>RESTRICTIONS</u> | <u>TOTAL</u>        |
|--|---------------------------------------|------------------------------------|---------------------|
| <u>SUPPORT, REVENUES, &amp; OTHER ADDITIONS:</u>             |                                       |                                    |                     |
| Support -  |                                       |                                    |                     |
| District Congregations (Note 1)                              | \$ 1,429,584                          | \$ 102,761                         | \$ 1,532,345        |
| LCEF (Note 10)   | 42,967                                | 65,473                             | 108,440             |
| Other  | 79,672                                | 35,017                             | 114,689             |
| Revenues -   |                                       |                                    |                     |
| Subscriptions  | 61,272                                |                                    | 61,272              |
| Conventions, Conferences, and Workshops                      | 319,516                               |                                    | 319,516             |
| Net Investment Return  | 69,244                                | 34,106                             | 103,350             |
| Agreements with LCEF (Note 10)                               | 160,698                               |                                    | 160,698             |
| Other  | 9,812                                 |                                    | 9,812               |
| Change in Value of Beneficial Interests in Charitable Trusts |                                       | 5,279                              | 5,279               |
| Change in Value of Beneficial Interests in Perpetual Trusts  |                                       | 9,387                              | 9,387               |
| Net Gain on Property and Equipment Disposals                 | 3,753                                 |                                    | 3,753               |
| Net Assets Released from Restrictions (Note 8)               | <u>226,354</u>                        | <u>(226,354)</u>                   | <u>-</u>            |
| Total Support, Revenues, & Other Additions                   | <u>2,402,872</u>                      | <u>25,669</u>                      | <u>2,428,541</u>    |
| <u>EXPENSES:</u>   |                                       |                                    |                     |
| Program Services -   |                                       |                                    |                     |
| World and National Missions                                  | 253,583                               |                                    | 253,583             |
| Preparing Church Workers                                     | 93,065                                |                                    | 93,065              |
| Congregational Services                                      | 525,680                               |                                    | 525,680             |
| Support Services -   |                                       |                                    |                     |
| Synodical Budget   | 400,283                               |                                    | 400,283             |
| Mission and Ministry Support Services                        | 780,397                               |                                    | 780,397             |
| Ecclesiastical and Program Administration                    | <u>264,964</u>                        |                                    | <u>264,964</u>      |
| Total Expenses   | <u>2,317,972</u>                      | <u>-</u>                           | <u>2,317,972</u>    |
| CHANGE IN NET ASSETS   | 84,900                                | 25,669                             | 110,569             |
| NET ASSETS - Beginning of Year                               | <u>3,385,679</u>                      | <u>2,747,113</u>                   | <u>6,132,792</u>    |
| NET ASSETS - End of Year                                     | <u>\$ 3,470,579</u>                   | <u>\$ 2,772,782</u>                | <u>\$ 6,243,361</u> |

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 15, 2021

|                                   | PROGRAM SERVICES                  |                                |                            | SUPPORT SERVICES    |  |   | TOTAL        |
|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|---------------------|--|---|--------------|
|                                   | World and<br>National<br>Missions | Preparing<br>Church<br>Workers | Congregational<br>Services | Synodical<br>Budget | Mission and<br>Ministry<br>Support<br>Services | Ecclesiastical<br>and Program<br>Administration |              |
| Synodical Pledge                  | \$                                | \$                             | \$                         | \$ 389,798          | \$   | \$  | \$ 389,798   |
| Personnel                         |                                   |                                |                            |                     |  |   |              |
| Salaries and Wages                | 59,436                            |                                | 160,573                    |                     | 281,304  | 164,778   | 666,091      |
| Employee Benefits                 | 19,442                            |                                | 52,708                     |                     | 104,960  | 59,459  | 236,569      |
| Grants                            | 93,368                            | 89,726                         | 700                        |                     | 16,000   |   | 199,794      |
| Conferences and Events            |                                   |                                | 58,964                     |                     |  | 1,053   | 60,017       |
| Travel                            | 2,692                             |                                | 8,585                      |                     | 577  | 7,539   | 19,393       |
| Depreciation                      | 4,283                             |                                | 20,739                     |                     | 72,774   | 10,986  | 108,782      |
| Meetings                          | 3,189                             | 2,458                          | 16,864                     |                     | 3,236  | 6,467   | 32,214       |
| Periodicals and Resources         | 334                               |                                | 1,936                      |                     | 621  | 1,045   | 3,936        |
| Human Care and Disaster Support   | 29,335                            |                                |                            |                     |  |   | 29,335       |
| West Africa Support               | 17,351                            |                                |                            |                     |  |   | 17,351       |
| Audit, Insurance and Legal        |                                   |                                |                            |                     | 13,323   |   | 13,323       |
| Computers, Software and Equipment |                                   |                                |                            |                     | 23,078   | 2,134   | 25,212       |
| Retreat Center                    |                                   |                                | 3,459                      |                     | 12,972   | 865   | 17,296       |
| Occupancy                         | 3,161                             |                                | 4,572                      |                     | 46,083   | 4,548   | 58,364       |
| Telephone                         | 319                               |                                | 957                        |                     | 7,323  | 1,126   | 9,725        |
| Postage and Supplies              |                                   |                                |                            |                     | 8,996  |   | 8,996        |
| Publications                      |                                   |                                |                            |                     | 52,017   |   | 52,017       |
| Other                             |                                   |                                | 4,511                      |                     | 18,022   | 394   | 22,927       |
| Total Expenses by Function        | \$ 232,910                        | \$ 92,184                      | \$ 334,568                 | \$ 389,798          | \$ 661,286                                     | \$ 260,394                                      | \$ 1,971,140 |

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



KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 15, 2020

|                                   | PROGRAM SERVICES                  |                                |                            | SUPPORT SERVICES    |  |   | TOTAL        |
|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|---------------------|--|---|--------------|
|                                   | World and<br>National<br>Missions | Preparing<br>Church<br>Workers | Congregational<br>Services | Synodical<br>Budget | Mission and<br>Ministry<br>Support<br>Services | Ecclesiastical<br>and Program<br>Administration |              |
| Synodical Pledge                  | \$                                | \$                             | \$                         | \$ 400,283          | \$   | \$  | \$ 400,283   |
| Personnel                         |                                   |                                |                            |                     |  |   |              |
| Salaries and Wages                | 55,784                            |                                | 155,638                    |                     | 274,090  | 157,207   | 642,719      |
| Employee Benefits                 | 18,662                            |                                | 51,109                     |                     | 99,773   | 56,196  | 225,740      |
| Grants                            | 120,831                           | 88,316                         | 1,171                      |                     | 16,700   |   | 227,018      |
| Conferences and Events            |                                   |                                | 238,709                    |                     | 110,493  | 1,394   | 350,596      |
| Travel                            | 6,250                             |                                | 16,558                     |                     | 2,179  | 15,746  | 40,733       |
| Depreciation                      | 9,307                             |                                | 24,825                     |                     | 74,910   | 8,276   | 117,318      |
| Meetings                          | 4,540                             | 4,749                          | 23,356                     |                     | 5,019  | 12,474  | 50,138       |
| Periodicals and Resources         | 876                               |                                | 3,601                      |                     | 975  | 980   | 6,432        |
| Human Care and Disaster Support   | 32,575                            |                                |                            |                     |  |   | 32,575       |
| West Africa Support               | 938                               |                                |                            |                     |  |   | 938          |
| Audit, Insurance and Legal        |                                   |                                |                            |                     | 11,299   |   | 11,299       |
| Computers, Software and Equipment |                                   |                                |                            |                     | 29,523   | 2,259   | 31,782       |
| Retreat Center                    |                                   |                                | 3,414                      |                     | 12,803   | 854   | 17,071       |
| Occupancy                         | 3,383                             |                                | 4,893                      |                     | 49,317   | 4,866   | 62,459       |
| Telephone                         | 322                               |                                | 966                        |                     | 7,752  | 1,259   | 10,299       |
| Postage and Supplies              |                                   |                                |                            |                     | 12,623   |   | 12,623       |
| Publications                      |                                   |                                |                            |                     | 54,644   |   | 54,644       |
| Other                             | 115                               |                                | 1,440                      |                     | 18,297   | 3,453   | 23,305       |
| Total Expenses by Function        | \$ 253,583                        | \$ 93,065                      | \$ 525,680                 | \$ 400,283          | \$ 780,397                                     | \$ 264,964                                      | \$ 2,317,972 |

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JANUARY 15, 2021 and 2020

|   | 2021       | 2020       |
|---|------------|------------|
| <b>Cash Flows from Operating Activities:</b>  |            |            |
| Change in Net Assets  | \$ 515,911 | \$ 110,569 |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Provided (Used) by Operating Activities: |            |            |
| Depreciation Expense  | 108,782    | 117,318    |
| Change in Value of Beneficial Interests in Charitable Trusts  | (2,424)    | (5,279)    |
| Change in Value of Beneficial Interests in Perpetual Trusts   | (5,271)    | (9,387)    |
| (Gain) Loss on Property and Equipment Disposals   | (327)      | (3,753)    |
| (Gain) on Forgiveness of PPP Loan   | (154,060)  | -          |
| Contributions Restricted for Long-Term Investment   | (388,101)  | -          |
| Interest Restricted for Long-Term Investment  | (451)      | (601)      |
| (Increase) Decrease in Operating Assets:  |            |            |
| Accounts Receivable   | 2,970      | 44         |
| Interest Receivable   | 1,676      | (301)      |
| Prepaid Expenses  | (4,618)    | 8,011      |
| Cash Surrender Value of Life Insurance Policies   | (68)       | 32,274     |
| Increase (Decrease) in Operating Liabilities:   |            |            |
| Accounts Payable and Accrued Expenses   | 5,665      | 2,164      |
| Refundable Advance  | 18,062     | -          |
| Deferred Revenue  | 10,513     | (9,398)    |
| Funds Held in Trust for Others  | (158)      | (32,563)   |
|   | 108,101    | 209,098    |
| <b>Cash Flows from Investing Activities:</b>  |            |            |
| Proceeds from Sale of Fixed Assets  | 5,127      | 9,270      |
| Purchases of Fixed Assets   | (36,364)   | (30,770)   |
| Increase in Cash Restricted for Investment in<br>Perpetual Endowments                                 | (388,101)  | -          |
| Proceeds from Sale of Investments   | 288,848    | 125,114    |
| Purchases of Investments  | (349,799)  | (353,492)  |
|   | (480,289)  | (249,878)  |

(Continued)

KANSAS DISTRICT of  
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED JANUARY 15, 2021 and 2020

|   | 2021       | 2020       |
|---|------------|------------|
| <b>Cash Flows from Financing Activities:</b>                    |            |            |
| Contributions Restricted for Investment in Perpetual Endowments | \$ 388,101 | \$ -       |
| Interest Restricted for Reinvestment in Perpetual Endowment     | 451        | 601        |
| PPP Loan Proceeds   | 153,200    | -          |
| Net Cash Provided (Used) by Financing Activities                | 541,752    | 601        |
|   |            |            |
| Net Increase (Decrease) in Cash and Cash Equivalents            | 169,564    | (40,179)   |
| Cash and Cash Equivalents - Beginning of Year                   | 149,040    | 189,219    |
| Cash and Cash Equivalents - End of Year                         | \$ 318,604 | \$ 149,040 |
|   |            |            |
| Supplemental Data:  |            |            |
| Noncash Investing and Financing Activities:                     |            |            |
| Forgiveness of PPP Loan Principal                               | \$ 153,200 | \$ -       |
| Forgiveness of PPP Loan Accrued Interest Payable                | 860        | -          |

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

## 1. NATURE OF ORGANIZATION

The Kansas District (the District), a religious not-for-profit organization, is one of 35 districts of The Lutheran Church—Missouri Synod (the Synod), encompassing 160 congregations in the state of Kansas. The Synod established its district offices to more effectively achieve its objectives and assist its congregations and their members in conserving and promoting the unity of the faith and in carrying out their mission and ministry.

The District relies on donations from its member congregations for a significant portion of its support. As shown in the Statement of Activities, support from District congregations totaled \$1,443,005 and \$1,532,345 for the years ended January 15, 2021 and 2020, respectively. These donations are subject to fluctuations in the economic status of the areas in which the congregations are located. No provisions have been made for changes in the economic environment. Any significant reduction in the level of this support, however, could have an effect on the District's program and supporting activities.

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

- *World and National Missions* – World missions includes the District's personalized world ministry support remitted to the Synod. National missions includes but is not limited to North American new mission work, campus ministries, deaf ministries, ethnic ministries, urban ministries, congregational subsidy, evangelism efforts, human care ministries, and related conferences and events.
- *Preparing Church Workers* – Includes financial aid provided to students normally attending one of the seven colleges/universities or two seminaries of the Synod.
- *Congregational Services* – Supports District congregational service efforts and includes but is not limited to activities such as Sunday School, confirmation, family life, day care, adult education, outdoor ministry, singles ministry, elementary and secondary education, youth services, worship, stewardship education, and related conferences and events.
- *Synodical Budget* – Includes remittances to the Synod for synodical budget support.
- *Mission and Ministry Support Services* – Includes the District's communication efforts, financial and general service activities, the operation/maintenance of District office facilities, District/Synodical convention expenses, and the District's support of the national Lutheran Church Extension Fund (LCEF) efforts as discussed in Note 10 (Agreements with LCEF).
- *Ecclesiastical and Program Administration* – Includes activities of the president's office, vice-presidents, circuit visitors, reconcilers, and related conferences and events, as well as support of the District Board of Directors and its related committees.

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION** (Continued)

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Accounting**

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

**Use of Estimates**

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

**Principles of Consolidation**

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

**Cash and Cash Equivalents**

For financial statement purposes, we consider all cash and highly liquid financial instruments with original maturities of three months or less, which are not held for or restricted by donors for long-term purposes (e.g., for building projects, perpetual endowments), to be cash and cash equivalents.

**Investments and Net Investment Return/(Loss)**

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions Receivable**

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

**Property and Equipment**

Property and equipment purchases of \$5,000 or more with an estimated useful life greater than two years are capitalized and recorded at cost, or if donated, at fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. Property held for sale is recorded at the lower of cost or estimated fair value.

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

**Beneficial Interests in Charitable Trusts Held by Others**

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

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

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Beneficial Interests in Perpetual Trusts**

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

**Grants Payable**

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

**Net Assets**

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

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

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

**Contributions and Revenue Recognition**

Contributions are recognized as support in the Statement of Activities when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash that must be used to acquire long-lived assets are reported as support in net assets with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions and Revenue Recognition (Continued)**

maintained, we report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Conditional promises to give are not included as support until the conditions on which they depend have been substantially met and the promises become unconditional. Donated services are reported as support in the Statement of Activities at fair value when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

**Functional Allocation of Expenses**

The costs of program and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. The financial statements include certain categories of expenses that are attributable to more than one program and supporting function. Therefore, these expenses require allocation to the programs and supporting services benefited on a basis that is reasonable and consistently applied. The expenses that are allocated include compensation and benefits, which are allocated based on estimates of time and effort, and office building depreciation and occupancy costs, which are allocated based on the square footage used by each program and supporting activity.

**Taxes**

We follow the accounting standards for contingencies in evaluating uncertain tax positions. This guidance requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit by the applicable regulatory authority, based on the technical merits of the position. These rules also provide guidance on measurement, recognition, classification, interest and penalties, transition, and disclosure requirements for uncertain tax positions. No liability has been recognized by the District for uncertain tax positions as of January 15, 2021 and 2020.

**Financial Instruments and Credit Risk**

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



KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassifications**

Certain amounts in the prior year 2020 financial statements have been reclassified for comparative purposes to conform to the 2021 financial statement presentation. These reclassifications, however, had no effect on the previously reported total net assets or total change in net assets.

**Subsequent Events**

The District has evaluated subsequent events through April 26, 2021, the date the financial statements were available to be issued.

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The District receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the District receives support without donor restrictions in the form of congregational mission commitments, LCEF contract reimbursements, and contributions without donor restrictions. The remainder of funding is provided by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The District considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated net assets, congregational mission commitments, LCEF funding, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, support of Synod and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the District's fiscal year.

The District manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets, and maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the District.

(Continued)

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

The table below presents financial assets available for general expenditures within one year of the Statement of Financial Position date:

|   | January 15          |                    |
|---|---------------------|--------------------|
|   | <u>2021</u>         | <u>2020</u>        |
| Financial Assets:   |                     |                    |
| Cash and Cash Equivalents   | \$ 318,604          | \$ 149,040         |
| Cash Restricted for Investment in Perpetual Endowments                                    | 388,101             | -                  |
| Accounts Receivable   | 4,022               | 6,992              |
| Interest Receivable   | 5,092               | 6,768              |
| Long-Term Investments   | 5,005,021           | 4,944,070          |
| Cash Surrender Value of Life Insurance Policies   | 57,306              | 57,238             |
| Beneficial Interests in Charitable Trusts Held by Others                                  | 58,514              | 56,090             |
| Beneficial Interests in Perpetual Trusts  | 73,785              | 68,514             |
| Total Financial Assets at Year-End  | <u>5,910,445</u>    | <u>5,288,712</u>   |
| Less Those Unavailable for General Expenditures Within<br>One Year Due to:                |                     |                    |
| Funds Held in Trust for Others  | (342,766)           | (342,924)          |
| Donor-Imposed Restrictions  | <u>(3,159,767)</u>  | <u>(2,772,782)</u> |
| Net Financial Assets After Donor-Imposed or<br>Contractual Restrictions                   | 2,407,912           | 2,173,006          |
| Less Internal Designations:   |                     |                    |
| Board Designations  | <u>(1,355,908)</u>  | <u>(1,334,550)</u> |
| Financial Assets Available to Meet Cash Needs for<br>General Expenditures Within One Year | <u>\$ 1,052,004</u> | <u>\$ 838,456</u>  |

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**4. FAIR VALUE MEASUREMENTS**

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

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

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

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

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

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to our assessment of the quality, perceived risk, or liquidity profile of the asset or liability.

(Continued)

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

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

The following table presents financial instruments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall, as well as the non-leveled instruments at January 15, 2021:

|                                   | Total               | Fair Value Measurements Using |             |             | Investments Measured at Cost |
|-----------------------------------|---------------------|-------------------------------|-------------|-------------|------------------------------|
|                                   |                     | Level 1                       | Level 2     | Level 3     |                              |
| Long-Term Investments -           |                     |                               |             |             |                              |
| LCEF Notes                        | \$ 3,884,473        | \$ -                          | \$ -        | \$ -        | \$ 3,884,473                 |
| Thrivent Demand Deposit Account   | 892,412             |                               |             |             | 892,412                      |
| LCMS Foundation: LCEF Certificate | 228,136             |                               |             |             | 228,136                      |
|                                   | <u>\$ 5,005,021</u> | <u>\$ -</u>                   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,005,021</u>          |
| Beneficial Interests in -         |                     |                               |             |             |                              |
| Charitable Trusts                 | \$ 58,514           | \$ -                          | \$ -        | \$ 58,514   | \$ -                         |
| Perpetual Trusts                  | \$ 73,785           | \$ -                          | \$ -        | \$ 73,785   | \$ -                         |

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended January 15, 2021:

|                   | Balance 1/15/2020 | Net New or (Matured) Gifts | Change in Value | Balance 1/15/2021 |
|-------------------|-------------------|----------------------------|-----------------|-------------------|
| Charitable Trusts | \$ 56,090         | \$ -                       | \$ 2,424        | \$ 58,514         |
| Perpetual Trusts  | \$ 68,514         | \$ -                       | \$ 5,271        | \$ 73,785         |

(Continued)

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

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

The following table presents financial instruments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall, as well as the non-leveled instruments at January 15, 2020:

|                                   | Total               | Fair Value Measurements Using |             |             | Investments Measured at Cost |
|-----------------------------------|---------------------|-------------------------------|-------------|-------------|------------------------------|
|                                   |                     | Level 1                       | Level 2     | Level 3     |                              |
| Long-Term Investments -           |                     |                               |             |             |                              |
| LCEF Notes                        | \$ 3,819,328        | \$ -                          | \$ -        | \$ -        | \$ 3,819,328                 |
| Thrivent Demand Deposit Account   | 896,606             |                               |             |             | 896,606                      |
| LCMS Foundation: LCEF Certificate | 228,136             |                               |             |             | 228,136                      |
|                                   | <u>\$ 4,944,070</u> | <u>\$ -</u>                   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,944,070</u>          |
| Beneficial Interests in -         |                     |                               |             |             |                              |
| Charitable Trusts                 | \$ 56,090           | \$ -                          | \$ -        | \$ 56,090   | \$ -                         |
| Perpetual Trusts                  | \$ 68,514           | \$ -                          | \$ -        | \$ 68,514   | \$ -                         |

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended January 15, 2020:

|                   | Balance 1/15/2019 | Net New or (Matured) Gifts | Change in Value | Balance 1/15/2020 |
|-------------------|-------------------|----------------------------|-----------------|-------------------|
| Charitable Trusts | \$ 50,811         | \$ -                       | \$ 5,279        | \$ 56,090         |
| Perpetual Trusts  | \$ 59,127         | \$ -                       | \$ 9,387        | \$ 68,514         |

At January 15, 2021 and 2020, the fair value of donor-restricted endowment investments managed by the District and included in long-term investments in the above schedules was \$1,440,091 and \$1,438,930, respectively.

The fair values of beneficial interests in charitable and perpetual trusts are based on the fair values of the trust investments as reported by the trustee, the LCMS Foundation. These are considered to be Level 3 measurements.

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of:

|                                  | January 15   |              |
|----------------------------------|--------------|--------------|
|                                  | 2021         | 2020         |
| Land                             | \$ 102,000   | \$ 102,000   |
| Office Building                  | 2,336,555    | 2,336,555    |
| Herington Lake Retreat Center    | 639,871      | 639,871      |
| Office Furnishings and Equipment | 87,331       | 87,331       |
| Vehicles                         | 104,430      | 92,065       |
|                                  | 3,270,187    | 3,257,822    |
| Less: Accumulated Depreciation   | (1,973,305)  | (1,883,722)  |
| Net Property and Equipment       | \$ 1,296,882 | \$ 1,374,100 |

**6. LINE OF CREDIT**

LCEF establishes a line of credit for each participating district based on the district's program performance; this line of credit is evaluated and adjusted by LCEF annually in July. As of and for the years ended January 15, 2021 and 2020, we had an unsecured line of credit with LCEF in the amount of \$438,029 and \$429,578, respectively. Borrowings under the line would bear interest at the current rate of 3.875%. As of and during the years ended January 15, 2021 and 2020, there were no borrowings against this line of credit.

**7. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of the following:

|                                       | January 15   |              |
|---------------------------------------|--------------|--------------|
|                                       | 2021         | 2020         |
| Undesignated                          | \$ 946,715   | \$ 761,929   |
| Investment in Property and Equipment  | 1,296,882    | 1,374,100    |
| Designated by Board for:              |              |              |
| World and National Missions           | 1,233,027    | 1,236,599    |
| Preparing Church Workers              | 75,869       | 49,210       |
| Congregational Services               | 27,012       | 28,741       |
| Mission and Ministry Support Services | 20,000       | 20,000       |
|                                       | \$ 3,599,505 | \$ 3,470,579 |

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

|  | January 15   |              |
|--|--------------|--------------|
|  | 2021         | 2020         |
| Purpose Restrictions:  |              |              |
| World and National Missions  | \$ 243,687   | \$ 227,649   |
| Preparing Church Workers   | 832,468      | 863,170      |
| Congregational Services  | 5,010        | 6,325        |
| Mission and Ministry Support Services  | 22,341       | 15,004       |
|  | 1,103,506    | 1,112,148    |
| Time Restrictions:   |              |              |
| Congregation Support   | 29,194       | 35,333       |
| Beneficial Interests in Charitable Trusts Held by Others                                     | 58,514       | 56,090       |
|  | 87,708       | 91,423       |
| Endowments:  |              |              |
| Corpus (Perpetual) -   |              |              |
| World and National Missions  | 735,372      | 638,347      |
| Preparing Church Workers   | 1,082,320    | 790,794      |
| General Use  | 10,623       | 10,623       |
|  | 1,828,315    | 1,439,764    |
| Net Investment Return Subject to Appropriation<br>and Expenditure; Restricted by Donors for: |              |              |
| World and National Missions  | 47,612       | 36,929       |
| Preparing Church Workers   | 18,841       | 24,004       |
|  | 66,453       | 60,933       |
| Beneficial Interests in Perpetual Trusts   | 73,785       | 68,514       |
|  | \$ 3,159,767 | \$ 2,772,782 |

(Continued)

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**8. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose, or by occurrence of the passage of time or other events specified by the donors as follows:

|                                       | January 15 |            |
|---------------------------------------|------------|------------|
|                                       | 2021       | 2020       |
| Satisfaction of Purpose Restrictions: |            |            |
| World and National Missions           | \$ 70,857  | \$ 86,861  |
| Preparing Church Workers              | 88,303     | 77,630     |
| Congregational Services               | 9,140      | 27,900     |
| Mission and Ministry Support Services | 24,574     | 13,012     |
|                                       | 192,874    | 205,403    |
| <br>Expiration of Time Restrictions   | <br>35,333 | <br>20,951 |
|                                       | \$ 228,207 | \$ 226,354 |

**9. ENDOWMENT FUNDS**

Our endowment consists of ten individual funds established by donors to provide annual funding for specific activities and general operations. The District classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board of Directors appropriates amounts for expenditure and any purpose restrictions have been met. Our Board has interpreted the Kansas enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument. Donor-restricted amounts not retained in perpetuity are subject to appropriation and expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the District and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the District
- (7) The investment policies of the District



KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**9. ENDOWMENT FUNDS** (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of January 15, 2021 and 2020.

*Endowment Policies* – Endowment assets are currently being managed and invested by the Business Manager in consultation with the Board of Administration. Endowment assets include those assets of donor-restricted endowment funds the District must hold in perpetuity. The District has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Per District policy, all assets are invested with LCEF or the LCMS Foundation. This allows the District to maintain a stable value in these endowments over the long-term. Exceptions to this policy may be granted by the Board of Directors if the donor specifies an alternate financial institution. The Board of Administration reviews the endowment investments and their performance on an annual basis.

As of January 15, 2021 and 2020, we had the following endowment net asset composition by fund type:

|   | <u>With Donor<br/>Restrictions</u> |
|---|------------------------------------|
| <u>January 15, 2021</u>                         |                                    |
| Donor-Restricted Endowment Funds:               |                                    |
| Amounts Required to be Maintained in Perpetuity | \$ 1,828,315                       |
| Accumulated Investment Return (Loss)            | <u>66,453</u>                      |
| Total Endowment                                 | <u><u>\$ 1,894,768</u></u>         |
| <br><u>January 15, 2020</u>                     |                                    |
| Donor-Restricted Endowment Funds:               |                                    |
| Amounts Required to be Maintained in Perpetuity | \$ 1,439,764                       |
| Accumulated Investment Return (Loss)            | <u>60,933</u>                      |
| Total Endowment                                 | <u><u>\$ 1,500,697</u></u>         |

(Continued)

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

**9. ENDOWMENT FUNDS** (Continued)

Changes in the endowment net assets for the years ended January 15, 2021 and 2020, are as follows:

|  | <u>With Donor<br/>Restrictions</u> |
|--|------------------------------------|
| <u>Year Ended January 15, 2021</u>                   |                                    |
| Endowment Net Assets - Beginning of Year             | \$ 1,500,697                       |
| Net Investment Return (Loss)                         | 28,132                             |
| Contributions  | 388,101                            |
| Appropriation of Endowment<br>Assets for Expenditure | <u>(22,162)</u>                    |
| Endowment Net Assets - End of Year                   | <u>\$ 1,894,768</u>                |
| <br><u>Year Ended January 15, 2020</u>               |                                    |
| Endowment Net Assets - Beginning of Year             | \$ 1,471,805                       |
| Net Investment Return (Loss)                         | 33,216                             |
| Contributions  | 601                                |
| Appropriation of Endowment<br>Assets for Expenditure | <u>(4,925)</u>                     |
| Endowment Net Assets - End of Year                   | <u>\$ 1,500,697</u>                |

**10. SUPPORT AND REVENUE FROM THE LUTHERAN CHURCH EXTENSION FUND**

*DRS Funding* – In August 2017, a District Relations and Support (DRS) Funding agreement was entered into whereby LCEF agreed to provide annual DRS funding to the District from 2018 through 2021. Per the agreement, these DRS payments are considered support for the general mission of the District and as such, are reported in the Statement of Activities as support from LCEF in net assets without donor restrictions. In September 2019, LCEF decided to accelerate the payout on this agreement and the District received all funds previously scheduled to be received through 2021 in one lump-sum payment. During the year ended January 15, 2020, the District received DRS funding from LCEF in the amount of \$42,967.

*Distribution of LCEF Operating Results* – Based on LCEF’s annual operating performance, earnings distributions are made available to its partner districts. LCEF operating results are restricted for specific mission and ministry programs of the respective district and are distributed upon request. During the years ended January 15, 2021 and 2020, the District requested and received distributions of LCEF operating results totaling \$68,943 and \$65,473, respectively. These distributions are reflected in the Statement of Activities as support from LCEF in net assets with donor restrictions.

KANSAS DISTRICT of  
THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO FINANCIAL STATEMENTS

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

*Agreements with LCEF* – In accordance with certain agreements, which are subject to renegotiation each July, LCEF agreed to compensate and reimburse the District for providing facilities and services to LCEF, as well as for promotion and coordination of church extension program activities within the District. The agreements require LCEF to pay the District a fixed amount on a monthly basis. The amounts received by the District in connection with these agreements during the years ended January 15, 2021 and 2020, totaled \$163,083 and \$160,698, respectively, which is reported in the Statement of Activities as revenue in net assets without donor restrictions.

**11. DEFINED BENEFIT PLAN**

The District participates in the worker benefit plans of the Synod, including the Concordia Retirement Plan (CRP). The CRP provides individuals with post-retirement benefits. Substantially all full-time employees (those employed more than 20 hours per week and at least five months per year) are covered by the CRP. Employees are vested after five years of creditable service. We contribute a fixed percentage of each participant's salary to the CRP. Retirement plan expenses for the years ended January 15, 2021 and 2020, totaled \$56,801 and \$52,283, respectively.

There were no significant changes in the District's relationship to the CRP or changes that would affect the comparability to the CRP during fiscal 2021 or 2020. There were also no contingent liabilities associated with the CRP at January 15, 2021 or 2020. Currently, the District has no intention to withdraw from the CRP; the District's contributions and level of participation represent a small percentage of the CRP as a whole.

**12. COVID-19 RESPONSE AND RELATED ACTIVITIES**

As a result of the spread of the COVID-19 coronavirus in the United States, multiple businesses across a wide range of industries are being disrupted through mandatory and voluntary closings. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments including the duration and spread of the outbreak, as well as its impact on our member congregations, donors, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. We have made several modifications to our operations to account for the potential financial impacts, including participation in the Paycheck Protection Program (PPP) (as noted below) and reduction of various budgeted expenses. We continue to monitor the financial implications and will adjust accordingly.

*PPP Loan* – We received an unsecured loan in the amount of \$153,200 under the PPP established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act from a Small Business Administration (SBA) approved partner. The loan was subject to a note dated April 14, 2020 and, under the terms of the PPP, all or a portion of the principal and accrued interest is eligible to be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act such as payroll costs, benefits, rent, and utilities.

KANSAS DISTRICT of  
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NOTES TO FINANCIAL STATEMENTS

**12. COVID-19 RESPONSE AND RELATED ACTIVITIES** (Continued)

In April 2020, we recorded a note payable in the amount of \$153,200. When the loan obligation was legally released by the SBA in November 2020, we recognized in the 2021 Statement of Activities a \$154,060 gain on forgiveness of debt, which included principal of \$153,200 and accrued interest of \$860.

*Soldiers of the Cross COVID-19 Response Initiative* – As the COVID-19 crisis unfolded in 2020, many church workers found themselves with immediate unmet financial needs stemming from the spread of the pandemic. The District, in partnership with the Synod and LCEF, delivered mercy and human care in the form of benevolent support to church workers within the District through the Synod’s Soldiers of the Cross COVID-19 Reponse Initiative program. During the year ended January 15, 2021, the District received \$28,500 from the Synod for this program and distributed grants of \$13,047 to meet the needs of impacted District church workers.