

**THE CENTRAL ILLINOIS DISTRICT OF
THE LUTHERAN CHURCH-MISSOURI SYNOD
CHURCH EXTENSION FUND
SPRINGFIELD, ILLINOIS**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2008, 2007 AND 2006

The Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
STATEMENT 1 - STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENT 2 - STATEMENTS OF ACTIVITIES	3
STATEMENT 3 - STATEMENTS OF FUNCTIONAL EXPENSES.....	4
STATEMENT 4 - STATEMENTS OF CASH FLOWS	5
Notes to Financial Statements	6-8

Estes, Bridgewater & Ogden

RICHARD W. OGDEN, C.P.A.
RICHARD L. GRAFTON, C.P.A.
ROY A. BALLINGER, C.P.A., M.B.A.

CERTIFIED PUBLIC ACCOUNTANTS

901 South Second Street
Springfield, Illinois 62704
217/528-8473
Fax 217/528-8506

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ILLINOIS CPA SOCIETY

TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

MICHAEL A. FAFOGLIA, C.P.A.
LORI K. MILOSEVICH, C.P.A., C.F.E.
VALERIE R. AUSMUS, C.P.A.
TRACY L. TRELLO, C.P.A.
JAQUELIN R. DENNY
JAMES R. ANDERSON
SAMANTHA E. WHITE
CATHY A. GRAVES

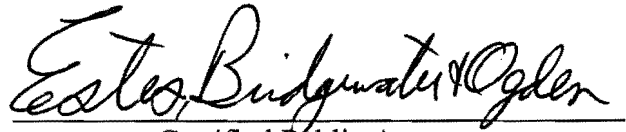
Independent Auditor's Report

To the Board of Directors
Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.
Springfield, Illinois

We have audited the accompanying statements of financial position of the Central Illinois District of The Lutheran Church-Missouri Synod Church Extension Fund, Inc. (a not-for-profit organization) as of December 31, 2008, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Illinois District of The Lutheran Church-Missouri Synod Church Extension Fund, Inc. as of December 31, 2008, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Certified Public Accountants

April 9, 2009

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.

Statement 1

STATEMENTS OF FINANCIAL POSITION

December 31, 2008, 2007 and 2006

<u>Assets</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$2,236,389	\$ 970,796	\$ 561,021
Accrued interest receivable.....	110,993	100,229	97,258
Prepaid expense	21,066	37,330	8,113
Fixed assets – net	85,497	2,459	3,264
Investments	12,216,714	13,666,714	11,989,363
Loans receivable	<u>23,647,215</u>	<u>23,800,535</u>	<u>26,006,288</u>
TOTAL ASSETS.....	<u>\$38,317,874</u>	<u>\$38,578,063</u>	<u>\$38,665,307</u>

Liabilities and Net Assets

LIABILITIES

Accounts payable	\$ 6,000	\$ 5,100	\$ 5,100
Other payables	79,602	3,148	874
Accrued interest payable.....	310,355	355,362	335,403
Interest rebates payable.....	150,000	150,000	150,000
Savings stamps.....	35,263	34,631	34,611
Growth Bonds	81,757	52,819	52,838
Other notes	553,441	687,408	458,739
Investment Certificates	<u>30,055,395</u>	<u>30,572,250</u>	<u>31,389,434</u>
 Total liabilities	 <u>31,271,813</u>	 <u>31,860,718</u>	 <u>32,426,999</u>

NET ASSETS

Unrestricted.....	6,745,013	6,423,996	5,944,959
Unrestricted – Board Designated.....	<u>301,048</u>	<u>293,349</u>	<u>293,349</u>
 Total Net Assets.....	 <u>7,046,061</u>	 <u>6,717,345</u>	 <u>6,238,308</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$38,317,874</u>	<u>\$38,578,063</u>	<u>\$38,665,307</u>
---	----------------------------	----------------------------	----------------------------

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

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.

Statement 2

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2008, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS:			
SUPPORT			
Gifts and Support	\$ 13,025	\$ 4,877	\$ 6,447
REVENUE			
Interest Income.....	<u>1,927,946</u>	<u>1,966,973</u>	<u>2,073,229</u>
Total support and revenue.....	<u>1,940,971</u>	<u>1,971,850</u>	<u>2,079,676</u>
EXPENSES			
Program Services:			
Member Services	1,423,593	1,396,834	1,525,830
Grants	<u>91,360</u>	<u>19,403</u>	<u>60,712</u>
Total Program Services.....	1,514,953	1,416,237	1,586,542
Management and General	<u>97,302</u>	<u>76,576</u>	<u>71,655</u>
Total expenses.....	<u>1,612,255</u>	<u>1,492,813</u>	<u>1,658,197</u>
INCREASE IN NET ASSETS	328,716	479,037	421,479
NET ASSETS - BEGINNING OF YEAR.....	<u>6,717,345</u>	<u>6,238,308</u>	<u>5,816,829</u>
NET ASSETS – END OF YEAR.....	<u>\$7,046,061</u>	<u>\$6,717,345</u>	<u>\$6,238,308</u>

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

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2008, 2007 and 2006

	2008		2007		2006				
	Program	Management	Total	Program	Management	Total	Program	Management	Total
	<u>Services</u>	<u>& General</u>	<u>Expenses</u>	<u>Services</u>	<u>& General</u>	<u>Expenses</u>	<u>Services</u>	<u>& General</u>	<u>Expenses</u>
EXPENSES:									
Interest	\$1,272,104	\$ -	\$1,272,104	\$1,284,640	\$ -	\$1,284,640	\$1,420,229	\$ -	\$1,420,229
Salaries	67,174	46,808	113,982	65,198	46,131	111,329	50,772	41,062	91,834
Employee benefits	17,485	12,312	29,797	14,536	10,287	24,823	13,612	11,136	24,748
Rent and utilities	9,900	3,300	13,200	9,900	3,300	13,200	9,900	3,300	13,200
Board and committee	-	1,395	1,395	-	2,143	2,143	-	2,188	2,188
Professional services	-	16,694	16,694	-	6,009	6,009	-	5,965	5,965
Computer services	846	-	846	508	-	508	300	-	300
Equipment maintenance	1,101	367	1,468	851	284	1,135	809	270	1,079
Insurance	10,533	3,511	14,044	4,442	1,480	5,922	569	189	758
Supplies	4,937	1,646	6,583	3,682	1,227	4,909	3,883	1,294	5,177
Postage	4,906	1,636	6,542	4,800	1,600	6,400	6,044	2,015	8,059
Promotion	6,452	-	6,452	3,727	-	3,727	8,866	-	8,866
Telephone	296	98	394	307	102	409	547	182	729
Travel	6,802	2,267	9,069	3,155	1,051	4,206	3,632	1,210	4,842
Other	5,323	2,023	7,346	-	2,600	2,600	-	621	621
Grants	91,360	-	91,360	19,403	-	19,403	60,712	-	60,712
Depreciation	15,734	5,245	20,979	1,088	362	1,450	6,667	2,223	8,890
Total expenses	<u>\$1,514,953</u>	<u>\$ 97,302</u>	<u>\$1,612,255</u>	<u>\$1,416,237</u>	<u>\$ 76,576</u>	<u>\$1,492,813</u>	<u>\$1,586,542</u>	<u>\$ 71,655</u>	<u>\$1,658,197</u>

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.

Statement 4

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 328,716	\$ 479,037	\$ 421,479
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	20,979	1,450	8,890
(Increase) Decrease in Assets:			
Prepaid expense	16,264	(29,217)	-
Accrued interest	(10,764)	(2,971)	79,485
Increase (Decrease) in Liabilities:			
Accounts and other payables	77,354	2,274	(5,973)
Interest payable	(45,007)	19,959	314
Net cash provided by operating activities	<u>387,542</u>	<u>470,532</u>	<u>504,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment	(104,016)	(1,304)	(513)
Loans receivable – net	153,320	2,205,753	249,950
Maturities of investments	4,250,000	3,923,308	6,667,000
Purchase of investments	(2,800,000)	(5,600,000)	(5,852,912)
Net cash provided by investing activities	<u>1,499,304</u>	<u>527,757</u>	<u>1,063,525</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Investment certificates - net	(516,854)	(817,184)	(1,474,283)
Other financing instruments - net	(104,399)	228,670	(173,591)
Net cash (used for) financing activities	(621,253)	(588,514)	(1,647,874)
NET INCREASE (DECREASE) IN CASH.....	1,265,593	409,775	(80,154)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>970,796</u>	<u>561,021</u>	<u>641,175</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$2,236,389</u>	<u>\$ 970,796</u>	<u>\$ 561,021</u>

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

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2008, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Illinois District of the Lutheran Church-Missouri Synod (LCMS) Church Extension Fund, Inc. (Church Extension Fund) is one of seven District Church Extension Funds. The Extension Fund is a charitable exempt organization, not a private foundation 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 Lutheran Church-Missouri Synod 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 of The Lutheran Church-Missouri Synod.

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 Church Extension Fund presents its financial statements as prescribed by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations*. This statement requires that financial statements be presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Restrictions are at the direction of the donor. SFAS No. 117 classifies interest and dividends from investments as unrestricted. Gifts and bequests to the Church Extension Fund, Inc. have no restrictions placed on them. Consequently, all income has been classified as unrestricted. Accordingly, all net assets are unrestricted and are presented on the financial statements as Net Assets without further classification.

Cash and Cash Equivalents - Cash consists solely of amounts used for current operations in a demand deposit.

Investments - Investments consist of investment certificates with the Lutheran Church Extension Fund – LCMS and local financial institutions at various rates and are carried at cost which is equal to market.

Fixed Assets - Fixed assets are recorded at cost and consist of office equipment and furniture which is depreciated over their estimated useful lives using the straight-line method of depreciation. Management's policy is to recognize a full year of depreciation in the year the asset is acquired and no depreciation in the year of disposal.

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.

Board Designated Net Assets – Board designated net assets represent a bequest received by the Church Extension Fund. The Board designated the funds for future approved projects or expenditures of the Church Extension Fund.

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2008, 2007 and 2006

NOTE 2 – INVESTMENTS

Investments in certificates of deposit are with the Lutheran Church Extension Fund – Missouri Synod and local financial institutions at varying rates and with terms of 60 months. Investments are carried at cost which is equal to market.

Investments with the Security Bank CDARS Program includes certificates of deposit with various financial institutions in amounts generally \$95,000 to \$96,000 so that even the interest is covered with FDIC coverage.

Investments consisted of the following at December 31, 2008, 2007 and 2006:

	<u>Current Rates</u>	<u>Cost/Market 12/31/2008</u>	<u>Cost/Market 12/31/2007</u>	<u>Cost/Market 12/31/2006</u>
Lutheran Church Extension Fund - Missouri Synod:				
Certificates of Deposit	3.625% - 6.000%	\$10,916,714	\$11,366,714	\$8,436,496
Havana National Bank:				
Certificates of Deposit	5.210%	300,000	300,000	300,000
Petersburg National Bank:				
Certificate of Deposit	3.600%			250,000
Smith Barney:				
Certificates of Deposit	3.55% - 3.75%	1,000,000	-	-
Security Bank:				
CDARS Program	4.879% - 5.000%	<u>-</u>	<u>2,000,000</u>	<u>3,002,867</u>
Total Investments		<u>\$12,216,714</u>	<u>\$13,666,714</u>	<u>\$11,989,363</u>

Investment income includes interest earned on investments and loans receivable. Investment income for the years ended December 31, 2008, 2007 and 2006, was \$2,077,946, \$2,116,922 and \$2,073,229 respectively. The accrued interest amounted to \$110,993, \$100,229 and \$97,258 respectively.

NOTE 3 – 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. Uninsured balances at these financial institutions were \$1,824,383 at December 31, 2008.

Investments with the Lutheran Church Extension Fund – Missouri Synod (LCEF) of \$10,916,714 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 the LCEF and is satisfied that deposits are secure despite lack of regulatory insurance coverage.

Central Illinois District of
The Lutheran Church-Missouri Synod
Church Extension Fund, Inc.
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2008, 2007 and 2006

NOTE 4 – FIXED ASSETS

Fixed assets in stated at cost and is comprised of the following:

	<u>12-31-08</u>	<u>12-31-07</u>	<u>12-31-06</u>
PCS equipment and software	\$102,713	\$ -	\$ -
Office furniture and equipment	88,409	87,105	86,898
Less: Accumulated depreciation	(<u>105,625</u>)	(<u>84,646</u>)	(<u>83,634</u>)
Total – net	<u>\$ 85,497</u>	<u>\$ 2,459</u>	<u>\$ 3,264</u>

NOTE 5 – LOANS RECEIVABLE

In accordance with its mission, the Church Extension Fund makes loans to congregations that are members of the Lutheran Church-Missouri Synod or agencies thereof. At December 31, 2008, 2007 and 2006 mortgage note balances have been issued in the amount of \$23,923,502, \$24,076,821 and \$26,282,574 respectively. The interest rates for loans vary and are dependent upon the type of loan and the terms associated with that loan.

Loans are stated at the amount of unpaid principal. Interest is calculated using the simple interest method on the daily balances of unpaid principal amount outstanding. An allowance for estimated uncollectible loans was established to comply with Generally Accepted Accounting Principles. The allowance was estimated at one percent of the outstanding balances and this estimate was effective through December 31, 2000. At that time, the board and management reviewed the policy and, based on a history of no defaults, elected to keep the allowance account at its present amount. Accordingly, the allowance for estimated uncollectible loans remains at \$276,286.

NOTE 6 – INVESTOR INVESTMENT CERTIFICATES

Balances represent amounts that members of the Lutheran Church-Missouri Synod have invested in the Church Extension Fund. Terms range from six months to five years. At December 31, 2008, the principal balance of certificates was \$30,055,394 and accrued interest amounted to \$310,355. At December 31, 2007, the principal balance of certificates was \$30,572,250 and accrued interest amounted to \$332,994.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Church Extension Fund has a month to month lease with the Central Illinois District LCMS. Currently, rent is \$1,100 per month and covers the use of space and equipment used in the district building.

The Church Extension Fund Manager's time is allocated to both the Central Illinois District – LCMS and the Church Extension Fund. The allocation of salary and benefits was 75% to the Church Extension Fund as Manager and 25% to the Central Illinois District as a Gift Planning Counselor for the years ended December 31, 2008, 2007 and 2006.