

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

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2009, 2008 AND 2007**

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

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## 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, 2009, 2008 and 2007 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, 2009, 2008 and 2007 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.

*Estes, Bridgewater & Ogden*  
Certified Public Accountants

March 26, 2010

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

Statement 1

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2009, 2008 and 2007

<u>Assets</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents .....	\$ 2,475,542	\$ 2,236,389	\$ 970,796
Accrued interest receivable.....	93,402	110,993	100,229
Prepaid expense .....	13,589	21,066	37,330
Fixed assets – net .....	63,890	85,497	2,459
Investments .....	12,216,714	12,216,714	13,666,714
Loans receivable .....	<u>23,358,078</u>	<u>23,647,215</u>	<u>23,800,535</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$38,221,215</u></b>	<b><u>\$38,317,874</u></b>	<b><u>\$38,578,063</u></b>

Liabilities and Net Assets

**LIABILITIES**

Accounts payable .....	\$ 5,300	\$ 6,000	\$ 5,100
Other payables .....	60,000	79,602	3,148
Accrued interest payable.....	277,006	310,355	355,362
Interest rebates payable.....	150,000	150,000	150,000
Savings stamps.....	35,029	35,263	34,631
Growth Bonds .....	77,926	81,757	52,819
Other notes .....	408,845	553,441	687,408
Investment Certificates .....	<u>29,912,675</u>	<u>30,055,395</u>	<u>30,572,250</u>
 Total liabilities .....	 <u>30,926,781</u>	 <u>31,271,813</u>	 <u>31,860,718</u>

**NET ASSETS**

Unrestricted.....	6,979,291	6,745,013	6,423,996
Unrestricted – Board Designated.....	<u>315,143</u>	<u>301,048</u>	<u>293,349</u>
 Total Net Assets.....	 <u>7,294,434</u>	 <u>7,046,061</u>	 <u>6,717,345</u>

<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b><u>\$38,221,215</u></b>	<b><u>\$38,317,874</u></b>	<b><u>\$38,578,063</u></b>
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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, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>UNRESTRICTED NET ASSETS:</b>			
<b>SUPPORT</b>			
Gifts and Support .....	\$ 10,938	\$ 13,025	\$ 4,877
<b>REVENUE</b>			
Interest Income.....	<u>1,818,622</u>	<u>1,927,946</u>	<u>1,966,973</u>
Total support and revenue.....	<u>1,829,560</u>	<u>1,940,971</u>	<u>1,971,850</u>
<b>EXPENSES</b>			
Program Services:			
Member Services .....	1,294,921	1,423,593	1,396,834
Grants .....	<u>172,996</u>	<u>91,360</u>	<u>19,403</u>
Total Program Services.....	1,467,917	1,514,953	1,416,237
Management and General .....	<u>113,270</u>	<u>97,302</u>	<u>76,576</u>
Total expenses.....	<u>1,581,187</u>	<u>1,612,255</u>	<u>1,492,813</u>
<b>INCREASE IN NET ASSETS .....</b>	<b>248,373</b>	<b>328,716</b>	<b>479,037</b>
<b>NET ASSETS - BEGINNING OF YEAR.....</b>	<u>7,046,061</u>	<u>6,717,345</u>	<u>6,238,308</u>
<b>NET ASSETS – END OF YEAR.....</b>	<b><u>\$7,294,434</u></b>	<b><u>\$7,046,061</u></b>	<b><u>\$6,717,345</u></b>

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, 2009, 2008 and 2007

	Program Services	Management & General	2009 Total Expenses	Program Services	Management & General	2008 Total Expenses	Program Services	Management & General	2007 Total Expenses
<b>EXPENSES:</b>									
Interest	\$1,125,355	\$ -	\$1,125,355	\$1,272,104	\$ -	\$1,272,104	\$1,284,640	\$ -	\$1,284,640
Salaries	70,088	49,541	119,629	67,174	46,808	113,982	65,198	46,131	111,329
Employee benefits	18,211	12,873	31,084	17,485	12,312	29,797	14,536	10,287	24,823
Rent and utilities	9,900	3,300	13,200	9,900	3,300	13,200	9,900	3,300	13,200
Board and committee	-	3,190	3,190	-	1,395	1,395	-	2,143	2,143
Professional services	-	21,086	21,086	-	16,694	16,694	-	6,009	6,009
Computer services	8,242	2,747	10,989	846	-	846	508	-	508
Equipment maintenance	747	249	996	1,101	367	1,468	851	284	1,135
Insurance	17,727	2,576	20,303	10,533	3,511	14,044	4,442	1,480	5,922
Supplies	3,938	1,312	5,250	4,937	1,646	6,583	3,682	1,227	4,909
Postage	4,456	1,485	5,941	4,906	1,636	6,542	4,800	1,600	6,400
Promotion	6,207	-	6,207	6,452	-	6,452	3,727	-	3,727
Telephone	323	107	430	296	98	394	307	102	409
Travel	6,008	2,003	8,011	6,802	2,267	9,069	3,155	1,051	4,206
Conference	-	4,896	4,896	-	-	-	-	-	-
Other	7,514	2,503	10,017	5,323	2,023	7,346	-	2,600	2,600
Grants	172,996	-	172,996	91,360	-	91,360	19,403	-	19,403
Depreciation	16,205	5,402	21,607	15,734	5,245	20,979	1,088	362	1,450
<b>Total expenses</b>	<b><u>\$1,467,917</u></b>	<b><u>\$113,270</u></b>	<b><u>\$1,581,187</u></b>	<b><u>\$1,514,953</u></b>	<b><u>\$ 97,302</u></b>	<b><u>\$1,612,255</u></b>	<b><u>\$1,416,237</u></b>	<b><u>\$ 76,576</u></b>	<b><u>\$1,492,813</u></b>

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, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Change in net assets .....	\$ 248,373	\$ 328,716	\$ 479,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation .....	21,607	20,979	1,450
(Increase) Decrease in Assets:			
Prepaid expense .....	7,477	16,264	( 29,217)
Accrued interest .....	17,590	( 10,764)	( 2,971)
Increase (Decrease) in Liabilities:			
Accounts and other payables .....	( 20,301)	77,354	2,274
Interest payable .....	( <u>33,349</u> )	( <u>45,007</u> )	<u>19,959</u>
Net cash provided by operating activities .....	<u>241,397</u>	<u>387,542</u>	<u>470,532</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of equipment .....	-	( 104,016)	( 1,304)
Loans receivable – net .....	289,137	153,320	2,205,753
Maturities of investments .....	2,250,000	4,250,000	3,923,308
Purchase of investments .....	( <u>2,250,000</u> )	( <u>2,800,000</u> )	( <u>5,600,000</u> )
Net cash provided by investing activities .....	<u>289,137</u>	<u>1,499,304</u>	<u>527,757</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Investment certificates - net .....	( 142,720)	( 516,854)	( 817,184)
Other financing instruments - net .....	( <u>148,661</u> )	( <u>104,399</u> )	<u>228,670</u>
Net cash (used for) financing activities .....	( <u>291,381</u> )	( <u>621,253</u> )	( <u>588,514</u> )
<b>NET INCREASE IN CASH .....</b>	<b>239,153</b>	<b>1,265,593</b>	<b>409,775</b>
<b>CASH AND CASH EQUIVALENTS –</b>			
<b>BEGINNING OF YEAR .....</b>	<u>2,236,389</u>	<u>970,796</u>	<u>561,021</u>
<b>CASH AND CASH EQUIVALENTS –</b>			
<b>END OF YEAR .....</b>	<b><u>\$2,475,542</u></b>	<b><u>\$2,236,389</u></b>	<b><u>\$ 970,796</u></b>

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, 2009, 2008 and 2007

**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 within the LCMS. 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 – For the purposes of the statements of cash flows, highly liquid investments with a maturity of three months or less at the date of acquisition generally are considered to be cash equivalents.

Investments - Investments consist of 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.

Central Illinois District of  
The Lutheran Church-Missouri Synod  
Church Extension Fund, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended December 31, 2009, 2008 and 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

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.

Subsequent Events - The Organization has adopted the requirements of Statement of Financial Accounting Standards No. 165 ("SFAS No. 165"), *Subsequent Events*, for the year ended December 31, 2009. In accordance with SFAS No. 165, the Organization reviewed events for inclusion in the financial statements through March 26, 2010, the date that the financial statements were available to be issued. The adoption of SFAS No. 165 did not impact the Organization's financial statements.

**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, 2009, 2008 and 2007:

	<u>Current Rates</u>	<u>Cost/Market 12/31/2009</u>	<u>Cost/Market 12/31/2008</u>	<u>Cost/Market 12/31/2007</u>
Lutheran Church Extension Fund - Missouri Synod:				
Certificates of Deposit	3.625% - 6.000%	\$11,916,714	\$10,916,714	\$11,366,714
Havana National Bank:				
Certificates of Deposit	5.210%	300,000	300,000	300,000
Smith Barney:				
Certificates of Deposit	3.55% - 3.75%	-	1,000,000	-
Security Bank:				
CDARS Program	4.879% - 5.000%	-	-	<u>2,000,000</u>
Total Investments		<u>\$12,216,714</u>	<u>\$12,216,714</u>	<u>\$13,666,714</u>

Investment income includes interest earned on investments and loans receivable. Investment income for the years ended December 31, 2009, 2008 and 2007, was \$1,968,623, \$2,077,946 and \$2,116,922 respectively. The accrued interest amounted to \$93,402, \$110,993 and \$100,229 respectively.

Central Illinois District of  
The Lutheran Church-Missouri Synod  
Church Extension Fund, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended December 31, 2009, 2008 and 2007

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP). Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Inputs are based on unadjusted quoted market prices within active markets.
- Level 2 – Inputs are based primarily on quoted process for similar assets in active or inactive markets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value of investments measured on a recurring basis at December 31, 2009 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2009</u>				
Certificates of Deposit	\$ <u>12,216,714</u>	\$ <u>          </u> -	\$ <u>12,216,714</u>	\$ <u>          </u> -

**NOTE 4 – 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 \$-0- at December 31, 2009.

Investments with the Lutheran Church Extension Fund – Missouri Synod (LCEF) of \$11,916,714 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, 2009, 2008 and 2007

**NOTE 5 – FIXED ASSETS**

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

	<u>12-31-09</u>	<u>12-31-08</u>	<u>12-31-07</u>
PCS equipment and software	\$102,713	\$102,713	\$ -
Office furniture and equipment	14,484	88,409	87,105
Less: Accumulated depreciation	( 53,307)	( 105,625)	( 84,646)
Total – net	<u>\$ 63,890</u>	<u>\$ 85,497</u>	<u>\$ 2,459</u>

**NOTE 6 – 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, 2009, 2008 and 2007 mortgage note balances have been issued in the amount of \$23,634,364, \$23,923,502 and \$24,076,821 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 7 – 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, 2009, 2008 and 2007, the principal balance of certificates was \$29,912,675, \$30,055,394 and \$30,572,250, respectively, and accrued interest amounted to \$277,006, \$310,355 and \$355,362, respectively.

**NOTE 8 – 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.