

# The Oklahoma District of the Lutheran Church Missouri Synod

## Financial Statements

December 31, 2019 and 2018



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The Oklahoma District of the Lutheran Church – Missouri Synod

Table of Contents

December 31, 2019 and 2018

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INDEPENDENT AUDITOR’S REPORT .....	1
Statements of Financial Position .....	2
Statements of Activities.....	3
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The Oklahoma District of the Lutheran Church – Missouri Synod

We have audited the accompanying financial statements of The Oklahoma District of the Lutheran Church – Missouri Synod (a non-profit District) which comprise the statements of financial position as of December 31, 2019 and 2018, 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 of 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of The Oklahoma District of the Lutheran Church – Missouri Synod as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink that reads 'Preston Smith PLLC'.

Tulsa, Oklahoma  
September 7, 2021

The Oklahoma District of the Lutheran Church – Missouri Synod  
Statements of Financial Position  
December 31, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 448,265	\$ 748,102
Contributions and other accounts receivable	62,129	98,912
Prepaid expenses	14,090	-
Investment in Lutheran Church Extension Fund	288,981	133,404
Land, buildings, and equipment, net	1,559,149	1,574,227
Funds held by third-party trustees	1,277	1,277
Other investments	5,311	3,556
Total assets	<u>\$ 2,379,202</u>	<u>\$ 2,559,478</u>
Liabilities and Net Assets		
Liabilities		
Accounts and other payables	\$ 16,527	\$ 24,317
Deferred revenue	1,960	1,667
Total liabilities	<u>18,487</u>	<u>25,984</u>
Net Assets		
Net assets without donor restrictions		
Board designated program		
administration reserve	8,450	8,450
Net investment in land, buildings,		
and equipment	1,585,522	1,574,227
Available for program expenditures	354,187	489,867
Net assets without donor		
restrictions, total	1,948,159	2,072,544
Net assets with donor restrictions		
Purpose restricted	406,279	454,673
Perpetual in nature	6,277	6,277
Net assets with donor		
restrictions, total	412,556	460,950
Total net assets	<u>2,360,715</u>	<u>2,533,494</u>
Total liabilities and net assets	<u>\$ 2,379,202</u>	<u>\$ 2,559,478</u>

The Oklahoma District of the Lutheran Church – Missouri Synod  
Statement of Activities  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenues			
Camp Lutherhoma	\$ 196,217	\$ -	\$ 196,217
Lutheran Witness	31,857	-	31,857
Interest and investment income	9,486	-	9,486
Conventions and workshops	23,525	-	23,525
Unrealized losses	1,755	-	1,755
Net assets released from restrictions	419,094	(419,094)	-
Total revenue	681,934	(419,094)	262,840
Support			
District	668,883	198,165	867,048
Camp Lutherhoma	-	169,374	169,374
Total support	668,883	367,539	1,036,422
Total revenue and support	1,350,817	(51,555)	1,299,262
Expenses			
Program activities			
Camp activities	517,436	-	517,436
World and national missions	472,863	-	472,863
Congregational services	217,337	-	217,337
Total program expenses	1,207,636	-	1,207,636
Supporting activities			
Management and general	64,405	-	64,405
Synodical budget	200,000	-	200,000
Total supporting expenses	264,405	-	264,405
Total expenses	1,472,041	-	1,472,041
Change in net assets	(121,224)	(51,555)	(172,779)
Net Assets, Beginning of Year	2,072,544	460,950	2,533,494
Net Assets, End of Year	\$ 1,951,320	\$ 409,395	\$ 2,360,715

The Oklahoma District of the Lutheran Church – Missouri Synod  
Statement of Activities  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenues			
Camp Lutherhoma	\$ 247,559	\$ -	\$ 247,559
Lutheran Witness	33,671	-	33,671
Interest and investment income	8,433	-	8,433
Conventions and workshops	24,874	-	24,874
Unrealized losses	(850)	-	(850)
Net assets released from restrictions	567,558	(567,558)	-
Total revenue	881,245	(567,558)	313,687
Support			
District	753,051	204,093	957,144
Camp Lutherhoma	-	137,688	137,688
Total support	753,051	341,781	1,094,832
Total revenue and support	1,634,296	(225,777)	1,408,519
Expenses			
Program activities			
Camp activities	514,316	-	514,316
World and national missions	498,415	-	498,415
Congregational services	214,072	-	214,072
Total program expenses	1,226,803	-	1,226,803
Support activities			
Management and general	70,282	-	70,282
Synodical budget	200,000	-	200,000
Total supporting expenses	270,282	-	270,282
Total expenses	1,497,085	-	1,497,085
Change in net assets	137,211	(225,777)	(88,566)
Net Assets, Beginning of Year	1,935,333	686,727	2,622,060
Net Assets, End of Year	\$ 2,072,544	\$ 460,950	\$ 2,533,494

The Oklahoma District of the Lutheran Church – Missouri Synod  
Statement of Functional Expenses  
Year Ended December 31, 2019

	Program Activities			Supporting Activities		Total
	Camp Activities	Missions	Congregational Services	Management and General	Synodical Budget	
Salaries and benefits	\$224,002	\$ 20,000	\$ 62,852	\$ 20,951	\$ -	\$ 327,804
World mission support	-	-	-	-	200,000	200,000
Subsidies, grants, and other assistance	-	419,201	16,000	-	-	435,201
Supplies	62,372	638	32,628	5,581	-	101,218
Travel	1,673	532	19,074	1,346	-	22,624
Repairs and maintenance	22,098	-	-	-	-	22,098
Other program expense	11,729	-	4,116	23,352	-	39,197
Advertising	9,518	-	-	-	-	9,518
Continuing education	-	520	50,616	1,418	-	52,554
Conventions, conferences, workshops, and meetings	3,458	31,713	29,494	-	-	64,665
Board expenses	-	222	-	4,592	-	4,814
Insurance	40,531	-	824	275	-	41,630
Professional fees	-	-	-	4,500	-	4,500
Postage	4,834	37	463	1,477	-	6,811
Utilities	39,127	-	1,272	664	-	41,063
Bank fees	9,391	-	-	-	-	9,391
Depreciation	88,703	-	-	250	-	88,953
Total expense	<u>\$517,436</u>	<u>\$472,863</u>	<u>\$ 217,337</u>	<u>\$ 64,405</u>	<u>\$ 200,000</u>	<u>\$ 1,472,041</u>

The Oklahoma District of the Lutheran Church – Missouri Synod  
Statement of Functional Expenses  
Year Ended December 31, 2018

	Program Activities			Supporting Activities		Total
	Camp Activities	Missions	Congregational Services	Management and General	Synodical Budget	
Salaries and benefits	\$215,532	\$ 20,000	\$ 62,473	\$ 20,824	\$ -	\$ 318,829
World mission support	-	790	-	-	200,000	200,790
Subsidies, grants, and other assistance	-	439,727	16,000	-	-	455,727
Supplies	69,013	164	33,921	4,543	-	107,640
Travel	1,778	490	9,544	1,718	-	13,530
Repairs and maintenance	23,888	-	-	-	-	23,888
Other program expense	12,236	-	1,424	22,483	-	36,143
Advertising	7,706	-	-	-	-	7,706
Continuing education	-	3,306	52,828	3,532	-	59,666
Conventions, conferences, workshops, and meetings	2,297	33,080	34,006	-	-	69,383
Board expenses	-	858	-	4,627	-	5,485
Insurance	36,885	-	1,979	660	-	39,523
Professional fees	-	-	-	9,176	-	9,176
Postage	6,829	-	581	1,832	-	9,242
Utilities	33,623	-	1,316	679	-	35,618
Bank fees	10,740	-	-	-	-	10,740
Depreciation	93,789	-	-	210	-	93,999
Total expense	<u>\$514,316</u>	<u>\$498,415</u>	<u>\$ 214,072</u>	<u>\$ 70,282</u>	<u>\$ 200,000</u>	<u>\$ 1,497,085</u>



The Oklahoma District of the Lutheran Church – Missouri Synod  
Statements of Cash Flows  
Year Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ (172,779)	\$ (88,566)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	88,953	93,999
Unrealized (gain) loss on investments	(1,755)	577
Changes in operating assets and liabilities		
Contributions and other accounts receivable	36,783	24,160
Prepaid expenses	(14,090)	3,178
Accounts and other payables	(7,790)	(5,218)
Deferred revenue	<u>293</u>	<u>(4,418)</u>
Net cash provided by (used for) operating activities	<u>(70,385)</u>	<u>23,985</u>
Investing activities		
Purchase of investments	(155,000)	(100,000)
Proceeds from the sale of investments	2,334	57,537
Dividend and interest income	(2,911)	(1,503)
Purchase of buildings and equipment	<u>(73,875)</u>	<u>(262,925)</u>
Net cash provided by (used for) investing activities	<u>(229,452)</u>	<u>(306,891)</u>
Net change in cash and cash equivalents	(299,837)	(282,906)
Cash and cash equivalents, beginning of year	<u>748,102</u>	<u>1,031,008</u>
Cash and cash equivalents, end of year	<u><u>\$ 448,265</u></u>	<u><u>\$ 748,102</u></u>

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 1 – District and Nature of Operations**

The Oklahoma District of the Lutheran Church – Missouri Synod (the District) is one of 35 geographic districts of the Lutheran Church – Missouri Synod encompassing approximately 80 congregations in the state of Oklahoma. The District is a nonprofit District which relies on donations from its member congregations and individuals for a significant amount of its support.

The District has several principle activities including: World and National Missions, Camp Lutherhoma and Camp Lutherhaven, Congregational Services, and Mission and Ministry Support Services. World and National Missions includes synodical budget support, mission work, campus ministries, deaf ministries, ethnic ministries, urban ministries, and related conferences and events. Camp Lutherhoma and Camp Lutherhaven both provide a year-round outdoor setting to nurture discipleship in all ages while enjoying camp activities and fellowship. Congregational Services include providing support for churches in the District for programs such as Sunday school activities, ministry, and related conferences and events. Mission and Ministry Support Services provides financial and general service activities, the operations and maintenance of District office buildings, and the District's support of the Lutheran Church Extension Fund (LCEF) efforts. The Oklahoma District of the Lutheran Church – Missouri Synod was incorporated under the laws of the State of Oklahoma on June 19, 1924.

**Note 2 – Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the District and changes therein are classified and reported as follows:

*Net assets without donor restriction* – Net assets whose expenditure is not subject to or are no longer subject to donor-imposed stipulations.

*Net assets with donor restriction* – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions are recorded when the donor makes a promise to give to the District that is in substance, unconditional. All donor-imposed restricted contributions are reported as increases to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 2 – Significant Accounting Policies (Continued)**

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

*Cash Equivalents*

The District defines cash equivalents as all highly liquid investments with an initial maturity of three months or less.

*Investments*

Investments consisting of time deposits invested in certificates maturing over three months from issue date with the Lutheran Church Extension Fund are carried at cost. Investments in marketable securities with readily determined fair values are reported at their fair market value. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets.

Advance sites and property held for sale are recorded at the lower of cost or estimated fair value. Advance sites include land purchased for future church sites or missions to be established by the District, as well as improvements, and all holding costs associated with the property. When the property is transferred to a congregation, the District may be reimbursed for these costs.

*Pledges Receivable*

Contributions are recorded in the period that an unconditional pledge is received. The District has elected the fair value option for valuing pledges receivable, as such pledges are recorded at their estimated fair value when received and are revalued annually. All pledges receivable at December 31, 2019 and 2018 are expected to be collected within one year. No allowance for uncollectible pledges has been recorded as management does not foresee any collectability issues based on past experience. Conditional pledges are not included as support until the conditions are substantially met.

Funds held by third-party trustees consist of an irrevocable trust from which the District is to receive the income in perpetuity. The principle is held in trust by the LCMS Foundation. The perpetual stream of income is viewed by the District as a promise to give by the individual who established the trust and has been recorded at the fair value of the trust. Given the nature of the promise, the District has recorded these contributions as net assets with perpetual donor restrictions. Increases or decreases in the fair value of the trust assets are recorded in the statements of activities as changes in net assets with perpetual donor restrictions.

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 2 – Significant Accounting Policies (Continued)**

*Land, Buildings, and Equipment*

Land, buildings, and equipment are recorded at cost, except for property received by gift which is recorded at fair value on the date of receipt. The District reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the District reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Buildings, improvements, equipment, and vehicles are depreciated using the straight-line method over 15 to 25 years for buildings and improvements and over 3 to 10 years for equipment and vehicles. Generally, the District capitalizes land, building, and equipment purchases in excess of \$500 with an estimated useful life of more than one year.

*Concentration of Credit Risk*

Occasionally, the District's cash deposits may exceed the amounts insured by the F.D.I.C. Amounts on deposit with the Lutheran Church Extension Fund (LCEF) are secured by assets of the LCEF, which consist primarily of loans receivable from various other Missouri Synod entities throughout the nation. Although the deposits are not insured by any federal agency, or by private insurance, they are collateralized by real property; therefore, it is not possible to determine the amounts, if any, at risk on December 31, 2019 and 2018. However, the amounts on deposit are adequately diversified and do not represent significant concentrations of market risk.

*Income Taxes*

The District is included in a blanket tax determination letter received by the Lutheran Church – Missouri Synod; as such under Section 501(c)(3) it is exempt from both federal income taxes and filing requirements. Accordingly, no provision for income tax is included in the accompanying financial statements.

*Subsequent Events*

The District has evaluated subsequent events through September 7, 2021, the date the financial statements were available to be issued.

*Advertising and Promotions*

The District expenses advertising and promotion costs as incurred. Advertising costs totaled approximately \$9,518 for 2019 and \$7,706 for 2018.

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 2 – Significant Accounting Policies (Continued)**

*Functional Expenses*

The cost of providing certain activities of the District have been summarized on a functional basis in the Statements of Functional Expenses. Certain categories of expenses are attributable to district programs and administrative support. These expenses include depreciation, salaries, payroll taxes and other benefits, and supplies. Depreciation is allocated based on nature and location of assets in service. Other expenses are allocated based on estimates of time and effort.

**Note 3 – Cash and Cash Equivalents**

As of December 31, 2019 and 2018, cash and cash equivalents consisted of the following:

	<u>2019</u>	<u>2018</u>
Bank of Oklahoma, N.A.		
Interest bearing checking account	\$ 138,734	\$ 212,109
First State Bank, Tahlequah, Oklahoma		
Interest bearing checking account	104,012	129,884
Lutheran Church Extension Fund		
Interest bearing account	202,520	403,161
Temporary investments	2,799	2,748
Petty cash funds	200	200
	<u>\$ 448,265</u>	<u>\$ 748,102</u>

**Note 4 – Investment in Lutheran Church Extension Fund – Missouri Synod**

Funds invested in certificates maturing over three months from issue date are not considered cash equivalents. As of December 31, 2019 and 2018, the investment included the following deposits:

	<u>2019</u>	<u>2018</u>
Funds without restrictions:		
Variable rate Sixty Month Certificates	\$ 255,000	\$ 100,000
Funds with purpose restrictions:		
.6250% Rate, Fifteen Month certificate	28,965	28,388
Funds with perpetual restrictions:		
Variable rate Sixty Month Certificate	5,016	5,016
	<u>\$ 288,981</u>	<u>\$ 133,404</u>

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

**Note 5– Fair Value Measurements**

Certain assets on the accompanying financial statements are measured at fair value. Generally accepted accounting principles defines fair value as 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. A fair value hierarchy is utilized 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** Quoted prices in active markets for identical assets or liabilities.

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**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.

Assets measured at fair value on a recurring basis at December 31, 2019 and 2018 are as follows:

December 31, 2019	Level 1	Level 2	Level 3
<b>Assets</b>			
Pledges receivable	\$ -	\$ -	\$ 62,129
Investment in LCEF	288,981	-	-
Other investments	5,311	-	-
Funds held by third-party trustees	-	1,277	-
	<u>\$ 294,292</u>	<u>\$ 1,277</u>	<u>\$ 62,129</u>
 December 31, 2018	 Level 1	 Level 2	 Level 3
<b>Assets</b>			
Pledges receivable	\$ -	\$ -	\$ 98,862
Investment in LCEF	133,404	-	-
Other investments	3,556	-	-
Funds held by third-party trustees	-	1,277	-
	<u>\$ 136,960</u>	<u>\$ 1,277</u>	<u>\$ 98,862</u>
 <b>Liabilities</b>			
Loans payable to LCEF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 5– Fair Value Measurements (Continued)**

Reconciliation of activity for assets measured at fair value based on significant unobserved (level 3) information:

Balance, beginning of year	\$ 98,862
Pledges collected	(98,862)
New pledges	<u>62,129</u>
	<u><u>\$ 62,129</u></u>

Pledges receivable are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. All pledges at December 31, 2019 and 2018 were expected to be collected within one year, thus face value approximates fair value.

**Note 6 – Land, Buildings, and Equipment**

At December 31, 2019 and 2018 land, buildings, and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Camp Lutherhoma land	\$ 100,000	\$ 100,000
Camp Lutherhaven land	55,338	55,338
Buildings, improvements and equipment:		
Camp Lutherhoma	1,925,935	1,883,604
Camp Lutherhaven	237,120	237,120
Office equipment	<u>25,838</u>	<u>25,554</u>
Total	2,344,231	2,301,616
Accumulated depreciation	<u>(1,054,349)</u>	<u>(966,448)</u>
Construction in progress-		
Camp Lutherhaven	<u>269,267</u>	<u>239,059</u>
	<u><u>\$ 1,559,149</u></u>	<u><u>\$ 1,574,227</u></u>

Depreciation charged to income for 2019 was \$88,953 and for 2018 was \$93,999.

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

**Note 7 – Line of Credit**

The District has a \$400,024 unsecured line of credit with the Lutheran Church Extension Fund. On December 31, 2019 and 2018, the District did not have any outstanding advances from the line. The line matures in 2045.

**Note 8 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Oklahoma disaster relief	\$ 216,559	\$ 216,477
Mission and ministry support	35,980	38,723
Gayle Ross Memorial camp scholarship fund	35,212	31,764
Camp Lutherhaven	60,786	90,995
Camp Lutherhoma	57,742	76,714
	<u>406,279</u>	<u>454,673</u>
Subject to permanent restriction		
Wieman Student Aid endowment	5,000	5,000
Schroeder endowment	1,277	1,277
	<u>6,277</u>	<u>6,277</u>
	<u>\$ 412,556</u>	<u>\$ 460,950</u>

The District believes it has adequate liquidity to comply with donor restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Mission and ministry support	\$ 339,847	\$ 294,154
Gayle Ross Memorial camp scholarships	23,455	9,417
Camp Lutherhaven	25,585	230,569
Camp Lutherhoma	30,207	33,418
	<u>\$ 419,094</u>	<u>\$ 567,558</u>

The Board designated \$8,450 for 2019 and 2018 for program administration reserves.



The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 9 – Endowment**

The District has two endowment funds consisting of an irrevocable trust and a restricted donation to the District with balances on December 31, 2019 and 2018 of \$6,277.

The first, in the amount of \$1,277, is held by the LCMS Foundation for the benefit of the District. The LCMS Foundation is subject to the Uniform Prudent Management of Institutional Funds Act. The Foundation may distribute up to five percent of the fair market value of the investment to the District annually.

The second, in the amount of \$5,000, is invested by the District in a certificate of deposit at the Lutheran Church Extension Fund. The District is to receive the income generated by the investment and the principle is to be invested in perpetuity.

The income from the investments are available for expenditure on mission and ministry support.

The District is subject to the Oklahoma State Prudent Management of Institutional Funds Act (OSPMIFA). The Board of Directors of the District has interpreted OSPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The District has interpreted OSPMIFA to permit spending from deficient funds in accordance with the prudent measures required under the law.

Endowment funds are invested assuming a moderate level of investment risk in cash based and blended investment funds to provide an average rate of return of approximately 1-2 percent annually.

Endowment activity during 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Endowments for mission & ministry support		
Endowment net assets, beginning of year		
Wieman Student Aid endowment	\$ 5,000	\$ 5,000
Schroeder endowment	<u>1,277</u>	<u>1,277</u>
Endowment income, net	102	102
LESS: Income moved to unrestricted income	(102)	(102)
Other changes in endowment funds	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u><u>\$ 6,277</u></u>	<u><u>\$ 6,277</u></u>

From time to time the fair value of assets associated with the endowment funds may fall below the level that the District's policies require to retain as a fund of perpetual duration. Deficiencies of this nature would be reported in unrestricted net assets. The District did not have any deficiencies as of December 31, 2019 and 2018.

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 10 – Concordia Retirement Plan**

The District participates in the worker benefit plan of the Lutheran Church – Missouri Synod. Substantially all full-time employees of the District are covered by these retirement and survivor programs. The District contributes a fixed percentage of each participant's salary to the plan. Retirement and survivor program expenses for the years ended December 31, 2019 and 2018 were approximately \$18,000 and \$22,000, respectively.

**Note 11 – Contingencies**

The District is contingently liable as a guarantor on certain loans made by the Lutheran Church Extension Fund to congregations under District subsidy. The outstanding indebtedness of these congregations was approximately \$19,000 on December 31, 2018. The loan was paid in full during 2018 and had no balance outstanding at December 31, 2018.

**Note 12 - Liquidity and Availability of Financial Assets**

The District's primary sources of income are individual and regional member congregation contributions, both cash and in-kind. The District's working capital and cash flows are subject to annual variations attributable to fluctuations in member congregation tithing, annual programming and convention schedules, and timing of contribution receipts. The District strives to maintain adequate liquidity to fund near-term operations and provide reasonable assurance that long-term operations will continue and obligations will be discharged.

The District is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the District must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the District's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the District has a \$400,024 line of credit, all of which was available for the District to draw from in the event of an unanticipated liquidity need.

The Oklahoma District of the Lutheran Church – Missouri Synod  
Notes to Financial Statements  
December 31, 2019 and 2018

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**Note 12 - Liquidity and Availability of Financial Assets (Continued)**

The following table reflects the District's financial assets (cash, cash equivalents, restricted cash pledges, investments, and accounts receivable due within one year) as of December 31, 2019 and 2018, reduced by amounts not available for general expenditures within one year, reduced by amounts unavailable for general use because of donor or board imposed restrictions.

	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 818,776	\$ 983,974
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	406,279	454,673
Perpetual restrictions	6,277	6,277
Board designated operating reserve	<u>8,450</u>	<u>8,450</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 397,770</u>	<u>\$ 514,574</u>