

\$3,000,000

**SOUTHERN DISTRICT
CHURCH EXTENSION FUND, INC.**

2011 LOUISIANA PROSPECTUS

Save-by-Mail Plan

2.00% One-Year Term Note

2.25% Three-Year Term Note

2.50% Five-Year Term Note

Ten Year Debentures-Face Value \$ 25.00-Cost \$ 14.50 (effective interest rate 5.46%)

Ten Year Debentures-Face Value \$100.00-Cost \$ 58.00 (effective interest rate 5.46%)

Ten Year Debentures- Face Value \$500.00-Cost \$290.00 (effective interest rate 5.46%)

SOUTHERN DISTRICT
CHURCH EXTENSION FUND, INC.
P.O. BOX 4657
COVINGTON, LA 70433
(504) 282-2633

THESE SECURITIES ARE NOT BANK DEPOSITS OR OBLIGATIONS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER FEDERAL OR STATE AGENCY.

NOTES AND DEBENTURES ARE ISSUED SUBJECT TO THE DISCRETION OF THE FUND.

INTEREST RATES SUBJECT TO CHANGE. PLEASE CHECK SOUTHERN DISTRICT LCEF WEBSITE, <http://www.southerncef.org>, FOR LATEST QUOTATIONS. INTEREST RATES ARE REDUCED WHERE INSTRUMENT IS REDEEMED BEFORE MATURITY.

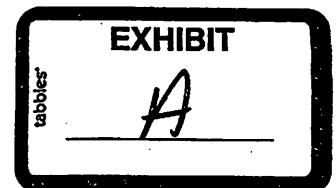
THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES. THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR WITH ANY OTHER STATES.

THE SECURITIES OFFERED HEREBY INVOLVE RISKS; THEREFORE, YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS ASSOCIATED WITH THIS OFFERING. See "*Risk Factors to be Considered*" on page 8.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION TO YOU OR TO MAKE ANY REPRESENTATIONS TO YOU IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS.

No commissions will be paid in connection with this Offering. All proceeds will be deposited with the Southern District Church Extension Fund. The method of distribution, more fully described herein, is designed to reach members of the Southern District of the Lutheran Church-Missouri Synod, and it is believed that nearly all funds received are from such members. The Southern District Church Extension Fund requires the maintenance of reserves to meet withdrawal requests of an amount equal to the sum of 15% of the outstanding obligations payable, and frequently reserves are in excess of this minimum.

Effective October 30, 2011



THIS PROSPECTUS DOES NOT CONTAIN ALL OF THE INFORMATION SET FORTH IN THE REGISTRATION STATEMENT FILED WITH THE COMMISSIONER OF SECURITIES OF THE STATE OF LOUISIANA. FOR FURTHER INFORMATION WITH RESPECT TO THE COMPANY AND THE SECURITIES OFFERED BY THIS PROSPECTUS, REFERENCE IS MADE TO THE REGISTRATION STATEMENT, INCLUDING THE FINANCIAL STATEMENTS, SCHEDULES AND EXHIBITS FILED AS A PART THEREOF.

TABLE OF CONTENTS

I.	INTRODUCTION	5
A.	SYNOD HISTORY	5
B.	SYNOD ORGANIZATION	5
C.	DISTRICT HISTORY AND ORGANIZATION	6
D.	FUND MANAGEMENT	6
II.	DESCRIPTION OF NOTES.....	6
A.	TERM NOTES.....	7
B.	DEBENTURES.....	7
C.	SAVE BY MAIL	7
D.	INTEREST ON NOTES	7
E.	TAX ASPECTS	8
F.	PLAN OF DISTRIBUTION	8
III.	RISK FACTORS	8
A.	NOTES, DEBENTURES AND SAVE-BY MAIL PLAN ARE UNINSURED	8
B.	NOTES, DEBENTURES AND SAVE-BY MAIL PLAN ARE UNSECURED AND NONNEGOTIABLE	8
C.	NO TRUSTEE	8
D.	MARKET FOR SECURITIES	9
E.	TAX CONSEQUENCES.....	9
F.	FORWARD LOOKING STATEMENTS	9
G.	ENVIRONMENTAL ASSESSMENT	9
H.	EARLY REDEMPTIONS	9
I.	ADDITIONAL SECURITIES	9
IV.	THE FUND.....	9
A.	MANAGEMENT AND COMPENSATION.....	9
B.	TRUSTEES AND OFFICERS	10
C.	THE FUND'S ASSETS AND LIABILITIES	11
D.	THE FUNDS OPERATIONS FOR FY 2011	11
E.	SOURCES OF FUNDS	11
1.	BORROWINGS FROM THE LCEF	11
2.	BORROWINGS FROM DISTRICT MEMBERS.....	11
3.	DONATIONS FROM MEMBERS	12
4.	INVESTMENT INCOME	12
F.	BORROWING HISTORY.....	12
G.	APPLICATION OF PROCEEDS.....	12
1.	FUNDS ASSIGNMENT PROCEDURE.....	13
2.	APPLICATION FOR LOANS TO THE DISTRICT CHURCH EXTENSION FUND	13
V.	LITIGATION.....	14
VI.	LEGAL MATTERS.....	14
VII.	INDEPENDENT AUDITORS.....	14
VIII.	FINANCIAL STATEMENTS	15
	NOTES TO FINANCIAL STATEMENTS as of June 30, 2011	7
A.	ORGANIZATION	7
B.	BASIS OF ACCOUNTING.....	7
C.	PRESENTATION.....	7

D.	CASH AND CASH EQUIVALENTS.....	7
E.	ACCOUNTS AND LOANS RECEIVABLE	7
F.	INVESTMENTS.....	7
G.	PROPERTY AND EQUIPMENT	7
H.	COMPENSATED ABSENCES	8
I.	FAIR VALUE OF FINANCIAL INSTRUMENTS	8

I. INTRODUCTION

The Southern District Church Extension Fund, Inc. ("Fund") was incorporated on June 1, 2004 as a Louisiana not-for-profit corporation. The Fund is affiliated with the Lutheran Church Extension Fund ("LCEF"), LCEF is a national Christ-centered servant partner of The Lutheran Church—Missouri Synod ("Synod") which provides investments, loans, and services to Synod churches, schools, agencies, and their rostered church workers.

The Fund was created to assist churches in the Southern District of The Lutheran Church—Missouri Synod ("District") to finance the acquisition of land and in the purchase, erection, and improvement of facilities for effective programs of ministry, witness, outreach, and service for the expansion of God's Kingdom in the Southern District. The District is one of 33 geographic districts of Synod located in the United States and encompasses the states of Louisiana, Mississippi, and Alabama and the northwest portion of the State of Florida. The mission of the Fund is to make funds and services available to congregations for building efforts in support of The Great Commission (Matthew 28).

The Fund is administered by a six member Board of Trustees ("Board"), none of which can hold membership on the District's Board of Directors or committees. They are responsible for the supervision and administration of the Fund and report to the member congregations at the District Triennial Convention. The District is a Louisiana not-for-profit corporation incorporated in 1925. The District is administered by its Board of Directors who along with the District's officers is elected by representatives of its member congregations at the District's triennial conventions. The Synod Constitution is also the Constitution of each District Synod; however, each District is at liberty to adopt such bylaws and pass such resolutions as it deems expedient for its conditions, provided that such bylaws and resolutions do not conflict with the Constitution and Bylaws of the Synod. The membership of the District consists of 170 congregations which are the members of the Synod located within the District's geographic bounds. The District's 170 congregations have a combined membership of approximately 26,000 communicant members. The District's executive offices are located at 100 Mission Dr., Slidell LA 70460, and the telephone number is 504-282-2632, fax number is 985-871-9696. All assets, liabilities, including the responsibility and liability for the Term Notes and Debentures offered hereby, are that of the Fund. Investors in the Fund will be repaid from the Fund's unrestricted assets.

A. SYNOD HISTORY

The origin of the Lutheran denomination dates from the reformation of the Roman Catholic Church in the early 16th Century in Germany. The Synod was organized in the State of Missouri in 1847 and was formally incorporated in 1894 as a Missouri non-profit religious corporation. The Synod, its Districts, and its affiliated organizations, are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended ("Code"), are not private foundations under Section 509 of the Code and are organized and operated exclusively for religious, educational, charitable and benevolent purposes. The Synod's principal offices are located at 1333 South Kirkwood Road, St. Louis, Missouri, 63122-7295.

B. SYNOD ORGANIZATION

The Synod as a not-for-profit corporation, has no shareholders, and is controlled by its members. The voting membership of the Synod consists of its member congregations throughout the United States. In addition, the Synod has non-voting members consisting of pastors and teachers on the roster of Synod. The Synod functions as a democratic organization through regular triennial conventions of delegates

selected by the voting members. The Synod meets in convention on an international level every three years.

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

The Synod is governed by a constitution (the present version of which was adopted in 1920) its articles of incorporation and its by-laws, which establish in detail the purposes and function of the Synod, its officers and various boards. Amendments to the Synod's constitution, articles of incorporation or bylaws may be made only upon affirmative vote of delegates in convention. Resolutions, adopted only at convention, govern general policies and objectives of the Synod, and must be consistent with the Synod's articles, constitution, and bylaws.

C. DISTRICT HISTORY AND ORGANIZATION

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

The Southern District was established in 1882. At the time it was established the District included the states of Louisiana, Mississippi, Alabama, Florida and Texas. Florida and Texas have split off into separate Districts and the Southern District now consists of Louisiana, Mississippi, Alabama and the panhandle of Florida to a point between Marianna and Tallahassee. The District is incorporated under the laws of the State of Louisiana as a general not-for-profit corporation.

D. FUND MANAGEMENT

The Fund is governed by its officers and the Board which is elected by its member congregations at triennial conventions. Each congregation is represented by two voting delegates at the convention - one clergy and one layman. The same convention and delegates which govern the Southern District also govern the Fund.

The Board may appoint such personnel and committees as may be needed to carry out the objectives of the Fund. Said committees then recommend their proposed actions to the Board for approval. The Board consists of six elected Trustees. The elected Trustees consist of a President, Secretary-Treasurer and four Trustees. Vacancies may be filled between conventions by the remaining Trustees. Members of the Board of Trustees serve without compensation, but do receive reimbursement for expenses incurred through authorized Board business.

II. DESCRIPTION OF NOTES

The Fund is hereby offering two types of investments in the aggregate principal amount of \$3,000,000: Term Notes and Debentures. These investments are unsecured and nonnegotiable and are being offered to Members of the Synod through this Prospectus. The purchase of the Notes involves. Prior to

purchasing any of the investments in this Offering, you should carefully read the section entitled "Risk Factors", together with other information contained in this Offering. The sale of the Term Notes and Debentures is subject to the discretion of the Fund. For example, the Fund may turn down subscriptions where a single subscriber is deemed by the Fund to have too much invested in the Fund, where the Fund has already sold sufficient securities for its needs, or where the interest rate environment makes it impractical or uneconomical for the Fund to sell the Fund's securities.

A. TERM NOTES

One-year Term Notes are issued in the amount of \$50.00 or more and earn 2.00% simple interest. Investors have no right of early redemption.

Three-year Term Notes are issued in amounts of \$100.00 or more and earn 2.25% interest provided the note is held three years or longer. Early redemption reduces interest to 2.00% provided the note is held more than one year.

Five-year Term Notes are issued in amounts of \$1,000.00 or more and earn 2.50% interest. Early redemption reduces interest to 2.25% provided the note is held more than three years; and 2.00% provided the note is held more than one year but no more than three years.

B. DEBENTURES

Ten-year Debentures are issued without coupons in maturity face values of \$25.00, \$100.00, and \$500.00, and are sold at costs of \$14.50, \$58.00, and \$290.00 respectively. Interest is accrued at approximately 5.46%. Early redemptions are made at 5% un compounded annual rate. Investors do not have the right of early redemption if the debenture is held for less than one year. Generally, the Fund limits a single subscriber to purchasing a total of \$30,000 in Debentures.

C. SAVE BY MAIL

The Southern District offers a savings program called Save-By-Mail. With minimum deposits of \$5.00, you can earn interest 1% (annual rate) based on your average daily balance the previous quarter. Save-By-Mail is treated as a saving account with no penalty for withdrawals. Each time a deposit or withdrawal is made, a receipt is sent for your records. The bottom half of the receipt is used as a withdrawal and/or deposit slip. Save-by-Mail rates are variable and can change at the first of each month without notice.

Withdrawal payments will normally be made on demand. However, the Southern District reserves the right to require the owner(s) to give 30 days written notice of an intended withdrawal before such withdrawal is made. The interest rate on all Save-by-Mail Plan (new and outstanding) may be adjusted at any time..

D. INTEREST ON NOTES

The rates of interest as of the date of this Prospectus for all fixed rate term notes and debentures are set forth on the cover. The interest rate offered for any newly issued notes and debentures are subject to change. These rates may be changed as of the first day of each month to rates above or below the rate set forth on the cover of this Prospectus by up to 2 percent each month. The rate determined as of the first day of each month will be effective for all notes issued during that month. The rate at which fixed rate term notes issued will remain in effect for the entire term of the notes. For current rates please consult the Fund's website, <http://www.southerncef.com>.

E. TAX ASPECTS

Purchasers of securities will recognize neither gain nor loss for federal income tax purposes, nor will they receive a charitable deduction upon the purchase of a security. The interest paid or payable on the securities will be taxable as ordinary income to the holder in the year that it is paid or accrued. Interest is accrued over the life of the Debentures and is paid at maturity date and the holder must, nevertheless, report such interest as income on his federal income tax return and state income tax returns, over the life of the Debenture as interest accrues. In the unlikely event of a sale or exchange of the Notes or the Debentures the seller would generally report either short-term gain or loss, depending upon the length of time held, the gain or the loss being equal to the difference between his purchase price and the amount he receives upon sale or exchange, less previously accrued interest. Purchasers who hold Debentures or Notes until their maturity will not be taxed upon the return of the principal purchase price or the payment of previously accrued and taxed interest. Any excess will be interest income. The Fund will notify investors of interest earned on securities by sending them Federal Income Tax Form 1099 by January 31 of each year.

F. PLAN OF DISTRIBUTION

Funds are solicited from the membership of the Lutheran congregations within the District to be invested in the Fund for periods of time at a modest rate of return. We sell the Notes and Debentures through the District's periodicals and through mailings to the membership of the District. Periodically, printed reminders are sent to the congregations in the District for general distribution to the membership as a reminder that the Fund has need for funds for other congregations. The Fund's distribution expenses are minimal. The Fund pays for a lawyer to review and approve the registration statement and the Fund prints prospectuses as needed.

III. RISK FACTORS

Investors should carefully consider, among other things, the following factors in connection with a purchase of the Notes and Debentures.

A. NOTES, DEBENTURES AND SAVE-BY MAIL PLAN ARE UNINSURED

The Notes, Debentures and Save-by-Mail Plan are not insured by any federal or state agency. If the Fund were to become insolvent, then you would, in all likelihood, lose all or a portion of your investment in the Notes or Debentures.

B. NOTES, DEBENTURES AND SAVE-BY MAIL PLAN ARE UNSECURED AND NONNEGOTIABLE

The Notes, Debentures and Save-by-Mail Plan are unsecured and nonnegotiable and the repayment of the principal and interest thereon is dependent upon the financial condition of the Fund as well as, to an extent, the financial condition of the parent organization, the Synod, and the financial condition of the various churches which are members of the Synod, to which loans are made and are outstanding from time to time. No sinking fund or trust indenture has or will be established.

C. NO TRUSTEE

The Notes, Debentures and Save-by-Mail Plan that we are selling are not subject to an indenture and there is no trustee to enforce the rights of the note holders and debenture holders. Accordingly, should there be

a default in the Note, the Debentures, or Save-by-Mail Plan; you will have to take steps on your own to collect and to enforce the Notes and Debentures.

D. MARKET FOR SECURITIES

The Notes, Debentures and Save-by-Mail Plan are non-negotiable and there is no market for the Notes and Debentures. The Notes, Debentures and Save-by-Mail Plan may only be redeemed through the Fund.

E. TAX CONSEQUENCES

Interest paid or payable on the Notes, Debentures and Save-by-Mail Plan will be taxable as ordinary income to an Investor regardless of whether the interest is paid out or retained by the Fund and compounded. See "Tax Aspects" in Section IID of this Prospectus.

F. FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking information and statements. Such forward-looking information may be indicated by words such as "intends," "will," "may be," "estimates," "predicts," "expects," "believes," or "anticipates." Actual results could differ significantly from those described in the forward-looking statements as a result, in part, of the risk factors set forth in this Prospectus and for other reasons presently unknown.

G. ENVIRONMENTAL ASSESSMENT

No independent environmental assessment has been conducted on the District's property. Accordingly, no assurances can be given that an environmental hazard will not manifest itself at some time in the future which might impair the value of the collateral securing the Fund loans in the event of foreclosure.

H. EARLY REDEMPTIONS

The Fund is not required to redeem any Note prior to its maturity. However, the practice and policy of the Fund has been to honor requests for early redemption, as set forth above in connection with the description of the types of instruments offered.

I. ADDITIONAL SECURITIES

The instruments issued hereunder are not subordinated to any other debt of the issuer. There will be subsequent issues of securities which when issued, will have equal rank with the securities heretofore issued and those issued hereunder. The Fund has the authority and power to issue its promissory notes and all other evidences of indebtedness without any express limitations as to amount. The holders of all of its notes and other instruments of indebtedness are "unsecured creditors" of the Fund and, as such, they have such rights as are provided extended by law to unsecured creditors in the event of any default.

IV. THE FUND

A. MANAGEMENT AND COMPENSATION

The Fund was formed as a Louisiana non-profit corporation in June 1, 2004. As a non-profit corporation, the Fund has no shareholders and is controlled by its members. The management of its affairs is conducted by a Board of Trustees consisting of six voting trustees, all of who are elected at the District

Triennial Synod. The Board meets regularly each calendar quarter. The officers of the corporation are directly elected by the members, and the Assistant Secretary of Securities is appointed by the Board. The Executive Director is a full-time employee of the Fund.

The Fund has four full-time employees: Charles “Jack” Kellison - Executive Director, Monica Olivier – Accountant, Scott Jacobsen - Accountant and Jessica Drinkard – Secretary/Accountant.

The Fund is subject to the Constitution and By-Laws of the Lutheran Church-Missouri Synod. Each congregation is eligible to elect a lay-member and a clergy member to represent the congregation at the triennial conventions. These members are empowered to vote and elect the officers of the Fund and the Board.

No person will receive remuneration in excess of \$130,000.00 during 2011. No officer receives deferred compensation. However, all full-time employees of the Fund are eligible to participate in The Lutheran Church-Missouri Synod's Concordia Plan Services including the Concordia Retirement Plan. The Fund will make contributions to the Plan on behalf of all employees participating in the Plan. No compensation is paid to any director or officer other than those mentioned.

Congregations may appoint a congregational representative who is to keep himself or herself informed in the details of the needs for investments in the Fund and try to encourage the membership of his/her congregation to support this need. There are no commissions or other services paid for in the solicitation of these funds.

B. TRUSTEES AND OFFICERS

A table of the trustees and officers of the Fund is set forth below.

<u>NAME</u>	<u>POSITION</u>	<u>ADDRESS</u>	<u>OCCUPATION</u>
Mr. Harvey Wilkening	Trustee	9460 Garfield Dr. Shreveport, LA 71118	Retired
Mr. Dan Klug	Trustee	1015 Pearson Rd Pensacola, FL 32583	Insurance Agent
Rev. Cliff Hellmers	Trustee	201 S. Montgomery Hwy, Birmingham, AL 35216	Minister
Mr. David Scholz	Trustee	101 Harbour View Rd Brandon, MS 39047	Owner of Insurance Agency
Dr. Marcus Paul	Trustee	3498 River Oaks Lane Pensacola, FL 32514	Dentist
Mr. Tom Casamento	Trustee	57755 Martin Lane Slidell, LA 70458	Construction Project Manager
Mr. Charles J Kellison	Executive Director	100 Mission Drive, Suite 1 Slidell, LA 70460	

C. THE FUND'S ASSETS AND LIABILITIES

The Fund as of June 30, 2011 had \$24,788,418 in assets (all discussions in this section are as of June 30). The two largest assets are the Funds Loans Receivable, which represents loans to District congregations, and Investments and Reserves. The Funds Loans Receivables was worth \$11,265,386. These loan receivables are of various maturities and interest rates range from 5.0% to 7.75%. The Investments and Reserves were worth \$12,269,640. The investments consist of primarily the following assets:

<u>Asset</u>	<u>Amount</u>
Short term LCEF Notes	\$100
Marketable Securities	\$4,848,347
<u>Long term LCEF Notes</u>	<u>\$7,421,193</u>
TOTAL	\$12,269,640

The Fund's primary liabilities were Notes Payable. The Notes payable was worth \$12,880,687. The Notes payable are of various maturities. A summary of amounts of Notes by year of maturity is set forth below:

<u>Year of Maturity June 30</u>	<u>Amount</u>
2012	\$4,328,092
2013	\$3,159,547
2014	\$3,781,395
2015	\$1,252,212
2016	\$256,399
<u>2017 and Beyond</u>	<u>\$103,042</u>
TOTAL	\$12,880,687.00

D. THE FUNDS OPERATIONS FOR FY 2011

The Fund had total revenues of \$1,297,336 in FY 2011 and total expenses of \$948,361. The Fund's revenue is earned primarily from investment income, \$606,660, and interest income, \$581,098. Primary expenses were salaries, \$189,263 and employee benefits, \$89,858. More detail is available on Fund revenues and expenses in the Statement of Activities included in the attached financial statements.

E. SOURCES OF FUNDS

The Fund generates funds for its operations and to pay interest and principal for the Notes and Debentures in four ways:

1. BORROWINGS FROM THE LCEF

The Fund may borrow funds from the LCEF for specific church construction projects.

2. BORROWINGS FROM DISTRICT MEMBERS

The Fund borrows money from District members through the Note and Debenture program.

3. DONATIONS FROM MEMBERS

The Fund may receive donations from member congregations or individuals.

4. INVESTMENT INCOME

The Fund generates income from the following assets of the Fund: marketable securities; interest and principal payments on loans, interest and principal payments from investments in LCEF; and interest from cash deposits with banks.

F. BORROWING HISTORY

The historic sale of Notes and Debentures, the redemption of Notes and Debentures and the repayment of congregation loans are set forth in the table below.

Year	Notes and Debentures Sold	Notes and Debentures Redeemed	Principal Repayments on Congregation Loans
2010/2011	\$603,674	\$1,043,460	\$945,616
2009/2010	\$4,284,711	\$4,645,855	\$703,946
2008/09	\$ 770,192	\$1,120,767	\$565,746
2007/08	\$1,205,728	\$1,407,689	\$842,853
2006/08	\$1,047,867	\$992,927	\$1,914,679
2005/06	\$1,209,980	\$1,432,912	\$1,053,964
2004/05	\$1,084,920	\$1,328,680	\$1,106,059
2003	\$1,783,749	\$2,999,522	\$2,033,949
2002	\$1,033,570	\$1,920,601	\$1,165,325
2001	\$1,045,137	\$1,274,033	\$1,539,713
2000	\$1,103,977	\$1,457,139	\$1,669,215
1999	\$ 954,316	\$4,502,076	\$ 877,237

G. APPLICATION OF PROCEEDS

The proceeds received or retained by the Fund upon the issuance of its investment obligations will be used, or continued to be used, whichever the case, for loans specified to District staff or member congregations for housing loans as well as planning and financing capital expansion projects, particularly the construction and/or remodeling of churches and other church facilities in Louisiana, Mississippi, Alabama, and the northwestern portion of Florida. Such proceeds may be invested in interest-bearing obligations pending utilization and are not necessarily earmarked for any particular construction program. Such proceeds shall be available for the Fund's construction assistance programs. The projects listed below are planned over the next several years. However, funding of those projects is subject to the completion of the plan for each project and available resources:

Repair/remodeling loans	\$ 500,000
Housing Loans	\$ 250,000
Educational Units	\$1,500,000
New Sanctuaries	\$5,000,000

The Fund loans are interest-bearing loans, which are secured by taking title or first mortgage or in specific instances second mortgage or pledge of a second mortgage to the property for which loans are advanced

to congregations. (Second mortgage loans are for pastors' housing only.) Interest rates on these loans vary, and in some instances are guided by rates prevailing in the commercial money markets.

1. FUNDS ASSIGNMENT PROCEDURE

As assets are invested in the Fund the proper investor is credited, and conditions of the investment noted. As approved building progresses, these funds are paid as designated by the authorities within the borrowing congregation. While the Fund may have borrowed the funds from the Lutheran Church Extension Fund and acknowledged it as its debt, the same funds are again loaned to the congregation, and the congregation acknowledges this as a debt to the Fund. This is a pass through type loan arrangement. It sometimes happens that not all the required funds are borrowed from the Lutheran Church Extension Fund, so that the source of a particular congregational loan comes from both the Lutheran Church Extension Fund and the Fund.

The investments solicited from congregations and its members are credited to the respective investor, and a detailed record is kept of transactions. These funds form part of the total resources of the Fund. As notes and debentures mature, the investor may renew them or withdraw the funds. The funds generated through gifts and returns on investments are used for operating expenses of the Fund and increasing the capital fund of the Fund.

2. APPLICATION FOR LOANS TO THE DISTRICT CHURCH EXTENSION FUND

When congregations evaluate their needs and find that they need funds for building a church or school, they can apply to the Fund for a loan. They must present their growth and financial history, as well as their future potential. Their plan must be documented to support their request. If the Fund's Board of Directors finds that the loan request is well thought out and worthy of its support, and, if enough funds are available for lending, they will encourage the congregation to proceed with the loan. The money is paid out to the congregation against a maximum loan amount, as the Building Committee or the congregation calls for the money during the building process. Loans to congregations are generally amortized over a twenty-year period, with a balloon payment after 3 years.

Factors considered by the Board in determining eligibility for direct loans to congregations will include (1) the congregation's outstanding indebtedness per member, (2) the loan amount requested compared to the value of the real property security, (3) prior and projected financial performance of the congregations, (4) the anticipated revenues available to the congregation compared to debt requirements and (5) the amount of contributions previously remitted to the Southern District of the Lutheran Church-Missouri Synod. In addition, the Board considers the status of the congregation's program for providing investment support for the Fund. Investment support will be provided through new investments by members of the congregation in the Fund investment obligations. The Board has adopted an incentive plan whereby a congregation may request, in writing, during the calendar quarter in which they want the program to begin, a reduction in interest rate on their loan. Interest rates on major loans may be reduced in accordance with the amount of investment support furnished by the members of a congregation compared to the original balance of the loan as follows:

- .15% interest rate reduction for 125% investment support
- .25% interest rate reduction for 150% investment support
- .50% interest rate reduction for 200% investment support

Requests to renew participation must be submitted annually. It is the Fund's policy to require the normal protections afforded commercial lenders on loans to congregations, including issuance of fire and extended coverage insurance. All loans to congregations made by the Fund are subject to the provision that if a congregation ceases to remain a member of the Southern District of the Lutheran Church-Missouri Synod, then the full unpaid balance of the loan, at the Fund's option, shall become immediately due and payable.

V. LITIGATION

At the present time there are no suits, actions, or other legal proceedings or claims pending against the Fund. The Fund is proceeding forward in its continuing efforts to comply with the securities, insurance and the banking laws of the various states throughout the Southern District. These efforts include appropriate registration of its investment certificates where required and compliance with other procedures for notification and/or disclosure. As a part of these efforts and by virtue of the requirements of these securities, insurance and banking laws, it may become necessary in various states for the Fund to offer its investors the right to immediate return of their investment money. However, in the opinion of the management of the Fund of the, the involvement of any such return of investment money, if any, will not materially affect the operation of the Fund or its ability to continue with the work that it has been performing.

VI. LEGAL MATTERS

Legal matters in connection with the securities offered hereby will be passed upon for the Fund by Liskow & Lewis, One Shell Sq., 50th Floor, New Orleans, Louisiana 70139.

VII. INDEPENDENT AUDITORS

The audit report for the Fund has been prepared by Pepperman, Ernboulas, Schwartz and Todaro, Certified Public Accountants, 1815 Clearview Parkway, Metairie, Louisiana 70001.

**SOUTHERN DISTRICT
CHURCH EXTENSION FUND, INC.**

VIII. FINANCIAL STATEMENTS

For the Years Ended June 30, 2008, 2009, 2010, and 2011

Together With Audit and Review Report

Southern District
Church Extension Fund, Inc.

Financial Statements
For the Years Ended June 30, 2008, 2009, 2010, and 2011

Together With Audit and Review Report

Contents

Independent Auditors and Review Report	1
Statement of Financial Position	2
Statements of Activities	3
Statement of Cash Flows	4
Comparative Statement of Financial Position for 2008, 2009, 2010, and 2011	5
Comparative Statement of Activities for 2008, 2009, 2010, and 2011	6
Notes of Financial Statements	7



Pepperman
Emboulas
Schwartz
& Todaro, LLC

CERTIFIED PUBLIC ACCOUNTANTS

William C. Abadie, Jr.
Lucille M. Hess
Wayne J. Babin, Jr.
Robert W. Theriot

John F. Hartman (1890-1967)
William G. Aly (1901-1995)
Eugene F. Monnier (1905-1985)
Emile A. Alt (1910-1989)
James J. Gallagher, Jr. (1918-1989)
Jacob F. Pepperman (1927-1990)

Wilfred Schwartz, Retired
Michael S. Hook (1954-1997)
Lawrence A. Emboulas, Retired
S. Irvin Todaro, Retired
James M. Kolwe (1952-2007)

INDEPENDENT AUDITOR'S REPORT

To The Board Of Directors

Southern District Church
Extension Fund, Inc.

We have audited the accompanying statement of financial position of SOUTHERN DISTRICT CHURCH EXTENSION FUND, INC., MANDEVILLE, LOUISIANA (a non-profit organization) as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit provides 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 Southern District Church Extension Fund, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pepperman, Emboulas, Schwartz & Todaro, L.L.C.

Metairie, Louisiana
August 15, 2011

1815 Clearview Parkway • Metairie, Louisiana 70001 • Tel: 504.837.4555 Fax: 504.837.4551

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

Southern District Church
Extension Fund, Inc.

Exhibit "A"

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

A S S E T S

Cash And Cash Equivalents	\$ 244,840
Accounts Receivable	1,937
Interest Receivable	85,954
Loans Receivable - Congregations	11,265,386
Short-Term Investments	4,848,447
Autos And Equipment - Net Of Accumulated Depreciation Of \$49,485	39,531
Building - Net Of Accumulated Depreciation Of \$16,415	365,625
Advance Sites	171,318
Land And Buildings Held In Trust	344,187
Long-Term Investments	<u>7,421,193</u>
 Total Assets	 <u>\$24,788,418</u>

L I A B I L I T I E S A N D N E T A S S E T S

Savings Stamps Payable	\$ 129,295
Notes Payable - Other	1,500
Notes Payable To Investors	12,880,687
Interest And Other Payables	<u>12,938</u>
 Total Liabilities	 <u>\$13,024,420</u>
 Net Assets:	
Unrestricted:	
Undesignated	\$11,490,716
Investment In Property And Equipment	39,531
Board Designated	<u>66,435</u>
 Total Unrestricted	 <u>\$11,596,682</u>
 Permanently Restricted	 <u>167,316</u>
 Total Net Assets	 <u>\$11,763,998</u>
 Total Liabilities And Net Assets	 <u>\$24,788,418</u>

See Accompanying Notes

Southern District Church
Extension Fund, Inc.

Exhibit "B"

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>Support And Revenues:</u>			
Support:			
Individuals	\$ 25	\$ ---	\$ 25
Revenues:			
Investment Income	606,660	---	606,660
Interest Income	581,098	---	581,098
Gain On Sale Of Securities	15,178	---	15,178
Lease Income	69,400	---	69,400
Other Income	25,000	---	25,000
Total Support And Revenues	<u>\$ 1,297,361</u>	<u>\$ ---</u>	<u>\$ 1,297,361</u>
<u>Expenses:</u>			
Operations:			
Salaries	\$ 189,263	\$ ---	\$ 189,263
Employee Benefits	89,858	---	89,858
Auditing Fees	21,500	---	21,500
Auto Operation	11,162	---	11,162
Board And Committee Meetings	24,479	---	24,479
Building And Grounds Maintenance	3,032	---	3,032
Community Service	4,500	---	4,500
Conferences And Workshops	29,320	---	29,320
Contingency Support	1,225	---	1,225
Depreciation	24,989	---	24,989
Dues	2,385	---	2,385
Equipment Maintenance And Replacement	51,219	---	51,219
Insurance	12,441	---	12,441
Investment Fees	7,843	---	7,843
Legal Fees	5,864	---	5,864
Miscellaneous	92,459	---	92,459
Moving Expense	7,135	---	7,135
Office Supplies	1,680	---	1,680
Periodicals	469	---	469
Postage And Shipping	2,268	---	2,268
Promotional Materials	203	---	203
Public Relations	1,310	---	1,310
Stationery And Supplies	7,618	---	7,618
Telephone	8,487	---	8,487
Travel	9,434	---	9,434
Utilities	11,008	---	11,008
Other:			
Interest Expense	327,210	---	327,210
Total Expenses	<u>\$ 948,361</u>	<u>\$ ---</u>	<u>\$ 948,361</u>
Change In Net Assets	\$ 349,000	\$ ---	\$ 349,000
Unrealized Holding Gains On Investments	501,111	---	501,111
Net Assets - Beginning of Year	<u>10,746,571</u>	<u>167,316</u>	<u>10,913,887</u>
Net Assets - End of Year	<u>\$11,596,682</u>	<u>\$ 167,316</u>	<u>\$11,763,998</u>

See Accompanying Notes

Southern District Church
Extension Fund, Inc.

Exhibit "C"

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change In Net Assets		\$ 349,000
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	\$ 24,989	
(Increase) Decrease In:		
Accounts Receivable	(1,483)	
Interest Receivable	(35,695)	
Increase (Decrease) In:		
Interest And Other Payables	(367)	
Total Adjustments		(12,556)
Net Cash Provided By Operating Activities		\$ 336,444

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds From Loans	\$ 945,616	
Issuance Of Additional Loans	(2,165,831)	
Proceeds From Investments	6,003,106	
Purchase Of Investments	(4,137,183)	
Addition To Advance Sites	(408)	
Additions To Land And Buildings Held In Trust	(5,181)	
Purchase Of Building	(195,839)	
Purchase Of Truck	(24,132)	
Net Cash Provided By Investing Activities		420,148

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds From Sales Of Savings Stamps	\$ 1,920	
Stamps Consigned To Investors	(2,592)	
Payments To Investors	(2,120,044)	
Proceeds From Sales To Investors	1,353,091	
Net Cash (Used) In Financing Activities		(767,625)
Net (Decrease) In Cash And Cash Equivalents		(\$ 11,033)

CASH AND CASH EQUIVALENTS
AT BEGINNING OF YEAR

255,873

CASH AND CASH EQUIVALENTS
AT END OF YEAR

\$ 244,840

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During The Year For:		
Interest	\$ 326,732	
Capitalized Interest	\$ ---	
Other Cash Flow Information:		
Unrealized Holding Gains	\$ 501,111	

See Accompanying Notes

SOUTHERN DISTRICT CHURCH EXTENSION FUND
Statements of Financial Position
For The Years Ending June 30

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>ASSETS</u>					
Cash	\$	52,195	2,449,712	255,873	244,840
Accounts Receivable		674	4,717	454	1,937
Interest Receivable		29,836	46,471	50,259	85,954
Loans Receivable		9,415,218	10,649,794	10,0485,171	11,265,386
Investments & Reserves		16,743,050	10,101,962	13,634,452	12,269,640
Advance Sites		254,589	256,651	170,910	171,318
Land & Buildings - Held in Trust		329,203	333,867	339,006	344,187
Building - Net		186,200	181,426	176,652	365,625
Equipment & Autos - Net		40,926	52,087	33,522	39,531

Total Assets	\$	<u>27,051,891</u>	<u>24,076,687</u>	<u>24,706,299</u>	<u>24,788,418</u>
--------------	----	-------------------	-------------------	-------------------	-------------------

LIABILITIES AND NET ASSETS

Cash (Overdraft)	\$	0	0	0	0
Savings Stamps		131,162	130,943	129,967	129,295
Notes Payable - Southern District-LCMS		1,,061,909	1,061,909	0	0
Notes Payable - Investors		15,859,051	14,338,402	13,647,640	12,880,687
Interest and Other Payable		2,537	3,547	13,305	12,938
Notes Payables - Other		1,500	1,500	1,500	1,500
Total Liabilities	\$	<u>17,716,886</u>	<u>17,056,159</u>	<u>13,792,412</u>	<u>13,024,420</u>

Net Assets:

Undesignated	\$	9,615,490	8,176,416	10,528,482	11,490,716
Net Investment-Property and Equipment		40,926	52,088	33,523	39,531
Board Designated		172,000	144,566	184,566	66,435
	\$	<u>9,828,416</u>	<u>8,373,070</u>	<u>10,746,571</u>	<u>11,596,682</u>
Permanently Restricted		167,316	167,316	167,316	167,316
Total Net Assets	\$	<u>10,697,364</u>	<u>9,995,732</u>	<u>10,913,887</u>	<u>11,763,998</u>

Total Liabilities and Net Assets	\$	<u>27,051,891</u>	<u>24,076,687</u>	<u>24,706,299</u>	<u>24,788,418</u>
----------------------------------	----	-------------------	-------------------	-------------------	-------------------

SOUTHERN DISTRICT CHURCH EXTENSION FUND

Statements of Activities

For The Years Ending June 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Support and Revenues:</u>				
Support:				
Individuals/Bequests/Legacies	\$ 1,000	6,867	1,491	25
Property Sales	31,613	0	725,036	0
Revenues:				
Investment Income	800,922	425,201	718,365	606,660
Interest Income	554,245	578,235	596,837	581,098
Securities-Gain/(Loss) on Sale	62,424	(987,477)	86,582	15,178
Rental Income	64,200	67,350	243,375	69,400
Other	95,000	50,747	90,388	25,000
Total Support and Revenue	\$ 1,609,404	140,932	2,462,074	1,297,361
<u>Expenses:</u>				
Wages/Benefits	\$ 227,230	231,194	238,179	279,121
Property Expenses	49,899	27,525	67,334	74,822
Meetings and Travel	18,364	34,768	45,905	65,618
Administration/Promotional	52,783	30,701	35,493	141,394
Audit/Legal fees	28,986	29,427	30,101	27,364
Investment fees	65,884	29,724	5,680	7,843
Debit Retirement	13,326	0	0	0
Depreciation	14,345	21,047	23,339	24,989
Interest Expense	524,909	459,443	343,701	327,210
Total Expenses	\$ 995,726	863,829	789,723	948,361
Change in Net Assets	\$ 613,678	(722,897)	1,672,342	349,000
Other Additions	0	0	0	0
Unrealized Holding/Gains (Losses) On Investments	(1,315,310)	(732,449)	701,159	501,111
Net Assets-Beginning of Year	10,697,364	9,995,732	8,540,386	10,913,887
Net Assets-End of Year	\$ 9,995,732	8,540,386	10,913,887	11,763,998

SOUTHERN DISTRICT CHURCH EXTENSION FUND

NOTES TO FINANCIAL STATEMENTS as of June 30, 2011

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. ORGANIZATION

Southern District Church Extension Fund, Inc. was incorporated in New Orleans, Louisiana on May 14, 2004 and began operations on June 1, 2004. Assets, Liabilities and net assets of The Southern District of The Lutheran Church-Missouri Church Extension Fund were transferred into the company on June 1, 2004. The company is a not-for-profit organization, which relies on investment income for most of its operating income.

B. BASIS OF ACCOUNTING

The financial statements of the company are maintained on the accrual basis of accounting. These financial statements include the use of estimates and assumptions by management that affects the amounts recorded and accompanying notes. Actual results could differ from those estimates.

C. PRESENTATION

The company presents its financial statements as prescribed by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No.117, Financial Statements of Not-for-Profit Organizations. As such, the financial statements are presented on the basis of unrestricted and permanently restricted net assets.

D. CASH AND CASH EQUIVALENTS

All highly liquid debt instruments purchased with maturity of three months or less are considered to be cash equivalents.

E. ACCOUNTS AND LOANS RECEIVABLE

Receivables are charged directly against income when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

F. INVESTMENTS

Investments are recorded at fair value in the statement of financial position with gains and losses reported in the statement of activities as increases or decreases in unrestricted net assets.

G. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method. Autos and equipment are depreciated using a life of five years, while the executive office building is depreciated over a life of thirty nine years.

H. COMPENSATED ABSENCES

Employees of the company are entitled to paid vacations, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The company's policy is to recognize the costs of compensated absences when actually paid to employees.

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise indicated as per Note 5, the fair values of all reported assets and liabilities, which represent financial instruments, approximate the carrying values of such amounts.

NOTE 2 – BOARD DESIGNATED FUNDS

The Board of Directors designated unrestricted net assets for the following specific purposes:

	<u>2011</u>	<u>2010</u>
Auto and Equipment Purchases	\$66,435	\$84,566
Missions	<u>\$ 0</u>	<u>\$100,000</u>
Totals	\$66,435	\$184,566

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity. The income from these investments are expendable to support:

	<u>2011</u>	<u>2010</u>
Various Scholarship Grants	\$167,316	\$167,316

NOTE 4 – INVESTMENTS

Details of investments at June 30, 2011 are as follows:

	Interest Rates	Maturity Dates	<u>2011</u>	<u>2010</u>
Short-Term				
Lutheran Church Extension Fund Support Dollars	Various	Various	100	\$2,020,000
Marketable Securities	---	---	<u>4,848,347</u>	<u>3,104,490</u>
			<u>\$4,848,447</u>	<u>\$5,124,490</u>
Long Term				
Lutheran Church Extension Fund Support Dollars	Various	Various	\$ 7,421,193	\$ 8,509,962
Marketable Securities	---	---	<u>0</u>	<u>0</u>
			<u>\$ 7,421,193</u>	<u>\$ 8,509,962</u>

Investments are carried at fair value to conform with the adoption of FASB ASC 958, "Accounting for Certain Investments Held By Not-For-Profit Organizations".

Cost and fair value of securities at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
Debt Securities	<u>\$ 9,384,352</u>	<u>\$ 9,561,498</u>	<u>\$ _____</u>	<u>\$ 177,146</u>
Equity Securities	<u>\$ 2,885,288</u>	<u>\$ 2,779,942</u>	<u>\$ 105,346</u>	<u>\$ _____</u>

Unrealized holding gains of \$501,111 are reported in the statement of activities as a component of unrestricted net assets. Gross unrealized losses at July 1, 2011 were \$572,911.

NOTE 5 – FAIR VALUE MEASUREMENTS:

The company's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels as follows:

Level 1 - Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 - Inputs include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

The company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The following is a description of the valuation methodologies used for the company's investments measured at fair value at June 30, 2010.

- Mutual Funds - Valued at the net asset value of shares held by the company at year end.
- Stocks and Bonds - Valued at active quoted market prices.
- Alternative Investments - Valuation is based upon pricing for these funds provided by the investment manager.

The following table sets forth by level within the fair value hierarchy the company's investments at fair value as of June 30, 2011:

	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Mutual Funds	\$510,446	\$510,446	\$	\$
Stocks and Bonds	11,238,132	11,238,132		
Alternative Investments	<u>521,062</u>			<u>521,062</u>
Total	<u>\$12,269,640</u>	<u>\$11,748,578</u>	<u>\$ 0</u>	<u>\$ 521,062</u>

LEVEL 3 GAIN AND LOSSES

The following sets forth a summary of changes in the fair value of the company's Level 3 investments for the year ended July 1, 2011.

ALTERNATIVE INVESTMENTS

Beginning Balance, July 1, 2010	\$ 904,504
Purchases, Sales, Issuances and Settlements (Net)	<u>(383,442)</u>
Ending Balance, June 30, 2011	<u>\$ 521,062</u>

Gains and losses (realized and unrealized) included in the statement of activities for the year ended June 30, 2011 are shown under Support and Revenues as well as Unrealized Holding Gains on Investments.

NOTE 6 - LOANS RECEIVABLE - CONGREGATIONS

At June 30, 2011, the company had loans receivable from congregations totaling \$11,265,386. Interest rates range from 5% to 7 3/4% on these loans.

NOTE 7 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows: June 30

	<u>2011</u>	<u>2010</u>
Autos	\$43,125	\$39,297
Equipment	<u>45,891</u>	<u>45,891</u>
Less Accumulated Depreciation	<u>49,485</u>	<u>\$51,666</u>
Autos and Equipment—Net	<u>39,531</u>	<u>\$33,522</u>
Building	382,040	\$186,200
Less Accumulated Depreciation	16,415	
Building—Net	<u>\$365,625</u>	<u>\$181,426</u>

Depreciation expense for the year ended June 30, 2011 was \$24,989.

NOTE 8 - NOTES PAYABLE TO INVESTORS

Investor obligations consisted of the following:

	2011	2010
<u>Savings Deposits:</u>		
Save-by-Mail Plan Due On Demand		
Interest Payable at 1%	\$2,937,715	\$3,264,827
<u>Savings Certificates:</u> God's Bank Certs Due On Demand		
Interest Payable at Various Rates	\$29,045	\$29,101
<u>Loans Payable:</u>		
Church Extension Fund Notes Due at Maturity		
Interest Payable At 2% to 4%	\$9,595,227	\$10,044,513
<u>Debentures Payable:</u>		
10 and 15 year Notes With Interest Payable at 5.45%	<u>\$318,700</u>	<u>\$301,169</u>
	<u>\$12,880,687</u>	<u>\$13,647,640</u>

NOTE 9 - DEFINED BENEFIT PLAN

The company participates in the worker benefit plan of The Lutheran Church- Missouri Synod. All full time employees are covered by this retirement program. The company contributes a fixed percentage of each participant's salary to the plan. Participants must complete five years of service in order to be eligible for benefits. Retirement program expense for the period ended June 30, 2011 was \$16,693.

NOTE 10 - TAX EXEMPT STATUS

The company is an organization described in Section 501 (c)(3) of the Internal Revenue Code of 1986, as amended, and is exempt from federal income tax on its related exempt activities under Code Section 501 (a).

NOTE 11 - REGISTRATION OF SECURITIES

The company has complied with the applicable regulations for registration of its notes and debentures with the Commissioner of Securities for the states of Louisiana, Florida, Mississippi and Alabama.

NOTE 12 - CONCENTRATION OF CREDIT RISK

The company maintains its cash balance in one financial institution located in New Orleans, Louisiana. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured cash balances at June 30, 2011.

NOTE 13 - INTEREST EXPENSE:

Interest expense for the year ended June 30, 2011 amounted to \$327,210. There was no interest required to be capitalized.

NOTE 14 - SUBSEQUENT EVENTS

There were no subsequent events to report through August 15, 2011, which was the date the financial statements were available to be issued.