

**\$3,000,000**

**EXHIBIT A**

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

**2023-2024 LOUISIANA PROSPECTUS**

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1.25% Save-by-Mail Plan  
4.0% One-Year Term Note  
2.00% Three-Year Term Note  
2.50% Five-Year Term Note  
Tiered account: 3% on first \$3,000.00; 1.25% on remaining balance-Young Elite Savers (YES)  
Ten Year Debentures-Face Value \$ 25.00-Cost \$ 17.72 (effective interest rate 3.5%)  
Ten Year Debentures-Face Value \$100.00-Cost \$ 70.89 (effective interest rate 3.5%)  
Ten Year Debentures- Face Value \$500.00-Cost \$354.46 (effective interest rate 3.5%)

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SOUTHERN DISTRICT  
CHURCH EXTENSION FUND, INC.  
101 MISSION DRIVE SUITE 100  
SLIDELL, LA. 70460  
(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 CEF 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.

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 December 1, 2023

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.

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ALABAMA RESIDENTS - THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FLORIDA RESIDENTS - THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA. THE SECURITIES ARE BEING SOLD PURSUANT TO THE EXEMPTION IN SECTION 517.015(9), F.S. LCEF IS REGISTERED AS AN ISSUER-DEALER IN THE STATE OF FLORIDA, AND ONLY THOSE PERSONS WHO ARE REGISTERED WITH THE DIVISION OF SECURITIES AND FINANCE MAY DISCUSS, OFFER OR SELL THESE SECURITIES.

### **FORWARD-LOOKING STATEMENTS**

This Offering Circular includes "forward-looking statements" within the meaning of the federal and state securities laws. Statements about the Fund and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "pro forma," "anticipates," "intends," "projects," or other variations or comparable terminology, or by discussions of strategy or intentions. Although the Fund believes that the expectations reflected in its forward-looking statements are reasonable, the Fund cannot assure any Investor that the Fund's expectations will prove to be correct. Forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, prospective Investors should not consider the Fund's forward-looking statements as predictions of future events or circumstances. A number of factors could cause the Fund's actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by the Fund's forward-looking statements. These factors include, but are not limited to: changes in economic conditions in

general and in the Fund's business; changes in prevailing interest rates and the availability and terms of financing to fund the Fund's business. All written and oral forward-looking statements attributable to the Fund, including statements before and after the date of this Offering Circular, are deemed to be supplements to this Offering Circular and are incorporated herein and are expressly qualified by these cautionary statements.

Although the Fund believes that the forward-looking statements are reasonable, prospective Investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective Investors should understand that the factors discussed under "RISK FACTORS" could affect the Fund's future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

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## I. INTRODUCTION

The Southern District Church Extension Fund, Inc. (the "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 is administered by a six-member Board of Trustees ("Board"), none of which can hold membership on the District's Board of Directors or elected committees. They are responsible for the supervision and administration of the Fund and report to the member congregations at the District Triennial Convention. 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 who will be repaid from the Fund's unrestricted assets.

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 28:19).

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, are elected by representatives of its member congregations at the District's triennial conventions. The Synod Constitution is also the Constitution of each District of 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 160 congregations which are the members of the Synod located within the District's geographic bounds. The District's 160 congregations have a combined membership of approximately 23,000 communicant members. The District's executive offices are located at 100 Mission Dr., Suite 100, Slidell LA 70460, the telephone number is 504-282-2632, and the fax number is 985-871-9696.

Notes and Debentures of the Fund should not be confused with those offered by the national church organization, the Lutheran Church Extension Fund—Missouri Synod, headquartered in St. Louis, Missouri. Potential investors should consult the Prospectus of the Fund and the offerings of other extension funds independently. No other organization underwrites, or is financially involved in, the security offerings of the Fund.

## **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 July 2-10) 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 three 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. For more information, see Section IV, The Fund, below.

#### **II. DESCRIPTION OF NOTES**

The Fund is hereby offering three types of investments in the aggregate principal amount of \$3,000,000: (1) Term Notes, (2) Debentures and (3) Save By Mail (and related savings programs). These investments are unsecured and nonnegotiable and are being offered to Members of the Synod through this Prospectus. 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, Debentures and the savings programs 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 4.0 % simple interest. Investors have no right of early redemption.

Three-year Term Notes are issued in amounts of \$100.00 or more and earn 2.00% interest provided the note is held three years or longer. Early redemption reduces interest to 1.50% 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 2.00% provided the note is held more than three years; and 1.50% 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 \$17.72, \$70.89, and \$354.46 respectively. Interest is accrued at approximately 3.5%. Early redemptions are made at 1% uncompounded 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. Sale of debentures are limited to individuals and not intended for institutional investments.

## **C. SAVE BY MAIL , YOUNG ELITE SAVERS , SAVINGS BY STAMPS**

The Southern District CEF offers three saving programs:

- *Save-By-Mail*. Minimum deposit is \$25.00. Pays 1.25% (annual rate) based on the daily average balance of the previous quarter.
- *Young Elite Savers (YES)*. Restricted to persons under the age of 18. Pays 3.0% (annual rate) on the first \$3,000 deposited. The remaining balance earns 1.25%.
- *Stamp Savings*. Stamps are issued in \$1.00 denominations and sold in sheets of \$25.00. These may be redeemed upon demand for cash or deposited to open an account. Stamps earn zero interest until deposited into an interest-bearing account. Save-By-Mail, Young Elite Savers, and Saving by Stamp have no penalty for withdrawals or redemptions. 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. Both Save-by-Mail and Young Elite Savers (YES) rates are variable and can change at the first of each month without notice.

Withdrawal payments will normally be made on demand. However, the Fund 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 and Young Elite Savers (YES) accounts (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 are 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, 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/or Debentures.

### **A. NOTES, DEBENTURES, SAVE-BY-MAIL AND YOUNG ELITE SAVERS PLANS ARE UNINSURED**

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

### **B. NOTES, DEBENTURES, SAVE-BY-MAIL AND YOUNG ELITE SAVERS PLANS ARE UNSECURED AND NONNEGOTIABLE**

The Notes, Debentures, Save-by-Mail and Y.E.S. plans 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 the financial condition of the various churches which are members of the District,

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, Save-By-Mail, and Y.E.S. plans 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 Notes or the Debentures or the Save-by-Mail or Young Elite Savers plans, you will have to take steps on your own to collect and to enforce the Notes, Debentures, Save-by-Mail or Young Elite Savers accounts.

### **D. ASSETS OF THE FUND ARE ILLIQUID**

Over 59 percent of the Fund's assets are held in notes issued by our churches. These notes are illiquid and cannot be easily sold. If a note goes in default, we may not be able to recover the full value of the note by foreclosing on the mortgage, because the security for these notes, the church and related real estate, are single-purpose properties that will be difficult to sell. In addition, another 17 percent of the Fund's assets are in real estate classified as Advance Sites. The Advance Sites are also illiquid and may not realize the value carried on our books. We maintain a reserve for uncollectible loans based on an analysis of loans, but we do not know whether any of loans will default and whether the uncollectible loan reserve will be sufficient.

### **E. MARKET FOR SECURITIES**

The Notes, Debentures, Save-By-Mail and Young Elite Savers accounts are nonnegotiable and there is no market for the Notes and Debentures. Notes and Debentures may only be redeemed through the Fund.

### **F. TAX CONSEQUENCES**

Interest paid or payable on the Notes, Debentures, Save-By-Mail and Young Elite Savers accounts 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 II-D of this Prospectus.

### **G. CYBERSECURITY**

We use an outside vendor to maintain our data, for account management, and remote access. The company, Disciple Data, Inc., located in Indianapolis, Indiana, utilizes secure servers, redundant backups, and receives a cybersecurity audit each year, the results of which are provided to the Fund. However, no one can guarantee cyber security. Although we take steps to secure our management information systems, including our computer systems, email and other telecommunications and data networks, the security measures we have implemented may not be effective, and our systems may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including unauthorized access or security breaches, natural or man-made disasters, cyberattacks, computer viruses, power loss, or other disruptive events. Cybersecurity risks, including unauthorized access to privileged information,

technological assaults on our infrastructure aimed at stealing information, fraud or interference with regular service and interruption of our loan operations and the sale and redemption of our securities and notes, may result from the exploitation of these vulnerabilities. Cyber-attacks and other cybersecurity matters, if successful, could have an adverse effect on our ability to make payments or redeem our securities and to successfully collect on our outstanding notes.

We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyberattacks. Attacks may be targeted at us, our customers and suppliers, or others who have entrusted us with information. In addition, attacks not targeted at us, but targeted solely at suppliers, may cause disruption to our computer systems or a breach of the data that we maintain on customers, employees, suppliers and others.

#### **H. 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.

#### **I. ENVIRONMENTAL ASSESSMENT**

No independent environmental assessment has been conducted on any property associated with the Fund. 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.

#### **J. 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.

#### **K. 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 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 on 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 whom are elected at the District Triennial Convention. 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 regular employee of the Fund.

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.

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.

The Fund meets the financial standards of the North American Securities Administrators Association (NASAA) as set forth in the NASAA "General Obligation Financing by Religious Denominations" adopted on April 17, 1994. We annually prepare a report showing the Fund's compliance with these standards and provide this report along with our audited financials to the Board of the Lutheran Church-Missouri Synod. These reports are also reviewed by our board. In addition, the Fund is audited annually by an independent auditor. A copy of the audit report is attached.

##### **B. EXECUTIVE COMPENSATION**

Total salaries and benefits paid by the Fund was \$309,655 in 2023. The Fund has 3 regular employees: Rev. Stephen Linck – Executive Director, Scott Jacobsen – Account Manager, and Jessica Nail – Secretary/Accountant. Temporary or part time employees are hired as needed.

The Executive Director receives an annual salary of \$104,563 and the use of an automobile. In addition, the Fund provides health insurance and makes contributions to a retirement plan through the Lutheran Church-Missouri Synod's Concordia Plan Services on behalf of all employees participating in the Plan.

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.

In addition, the Fund currently has provided two loans to the Executive Director to finance the purchase of his home. The first loan has a balance of \$141,684 as of June 30, 2023, and is secured

by a first mortgage on the home in favor of the Fund. This home is currently for sale and the note will be repaid upon the sale of the house. The second loan has a balance of \$620,692, as of June 30, 2023, and is also secured by a first mortgage on the Executive Director's current home in favor of the Fund. The terms of the loans are consistent with the market and are under the same terms provided under the Fund's clergy lending program. The loans are current.

No compensation is paid to any director or officer other than those mentioned.

### **C. TRUSTEES AND OFFICERS**

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

<b><u>NAME</u></b>	<b><u>POSITION</u></b>	<b><u>ADDRESS</u></b>	<b><u>OCCUPATION</u></b>
Mr. George Plauché	Trustee, Treasure	130 South Audubon Blvd. #102 Lafayette, LA 70503	Attorney
Mr. Gary Buuck	Trustee, Vice-Chairman	19711 S, Harrels Ferry Rd. Baton Rouge, LA 70816	Business Owner/Investor
Mrs. Kay Royston	Trustee, Secretary	1735 Boy Scout Rd. Defuniak Springs, FL. 32444	Church Administrator
Mr. Allan Parauka	Trustee, Chairman	1218 Carolina Ave. Lynn Haven, FL 32444	Construction Management
Rev. Joe Arthur IV	Trustee	135 Rio Grande Bogalusa, LA. 70427	Pastor
Rev. Stephen Linck	Executive Director	101 Mission Dr. Suite 100 Slidell, LA. 70460	Pastor

### **D. OFFICES**

The Fund's offices are located at 101 Mission Drive Suite 100, Slidell, LA 70460. We rent our offices from a related entity, Southern District of The Lutheran Church-Missouri Synod (the "District"). For the last four years, we leased this property on a month-to-month basis of \$3,000 per month. We signed a new lease on March 31, 2022, calling for a monthly rental amount of \$4,000. This lease expired on March 31, 2023. Rental expense for the lease for 2022 was \$48,000. The space is suitable for our needs.

### **E. THE FUND'S ASSETS AND LIABILITIES**

The Fund, as of June 30, 2023, had \$31,958,599 in assets (all discussions in this section are as of June 30). The two largest assets are the Fund's Loan Receivables, which represents loans to District congregations, and Investments and Reserves.

### 1. LOAN RECEIVABLES

The Fund's Loan Receivables were worth \$13,638,556. As of June 30, 2023, we have 43 loans outstanding to 39 congregations. These Loan Receivables are of various maturities and interest rates ranging from 3.00% to 5.00%. All of these loans are current. The average loan amount outstanding is \$323,311.72. The largest outstanding loan is in the amount of \$2,193,575.33 and the smallest outstanding loan is in the amount of \$6,220.00.

### 2. INVESTMENTS AND RESERVES

The Investments and Reserves were worth \$9,962,223. For FY 2022, the Fund's Investments and Reserves were worth \$9,986,341. The investments consist of primarily the following assets:

<u>Asset</u>	<u>Amount</u>
Short term LCEF Notes and Certificates of Deposit	\$100
Marketable Securities	\$8,368,258
<u>Long term LCEF Notes and Certificates of Deposit</u>	<u>\$1,593,865</u>
TOTAL	\$9,962,223

The Short Term and Long Term LCEF Notes are deposits with the Lutheran Church Extension Fund, a related entity.

The Fund receives income from interest and dividend payments on its investments as well as capital gains or losses on the sale of investments. For FY2023, the Fund received \$229,182 in investment income and lost \$622,580 from the sale of securities which was a capital loss. This loss was primarily due to repositioning of the Fund's investment portfolio to hold more bonds in accordance with the recommendation of the Fund's investment adviser.

### 3. ADVANCE SITES

Another significant asset of the Fund is described as Advance Sites in our financial statements and is valued at \$4,955,746. Advance Sites consist of immovable (real) property that was donated or purchased by the Fund as future sites for churches and church-related facilities. There are currently 11 properties in the portfolio. The value reported for Advance Sites is based on historic appraisals or acquisition costs and does not reflect the current fair market value of these assets.

### F. FUND LIABILITIES

The Fund's primary liabilities were Notes Payable. The Notes Payable was worth \$18,830,094. The Notes Payable are of various maturities. The Southern District of The Lutheran Church-Missouri Synod (the "District") holds \$5,221,962 of these Notes Payable. A summary of amounts of Notes Payable by year of maturity is set forth below:



<u>Year of Maturity June 30</u>	<u>Amount</u>
2023	\$14,740,862
2024	\$841,662
2025	\$1,101,544
2026	\$450,117
2027	\$1,642,541
2028	\$23,531
2029 and Beyond	\$29,837
<b>TOTAL</b>	<b>\$18,830,094</b>

As reflected above, \$14,740,862, or 78 percent, of the Notes Payable are currently due. Our experience is that our investors tend to keep their money invested in the Fund, even if the notes are due and payable by the Fund. However, if all investors with currently mature notes presented those notes for payment at the same time, the Fund would become functionally insolvent and would not initially be able to honor all requests for payment.

#### **G. THE FUND'S OPERATIONS FOR FY 2023**

The Fund had total revenues of \$558,649 in FY 2023 and total expenses of \$1,092,238. The Fund's revenue is earned primarily from investment income, \$267,132, and interest income, \$669,230. Primary expenses were salaries, \$222,362, and employee benefits, \$97,253. More detail is available on Fund revenues and expenses in the Statement of Activities included in the attached financial statements.

#### **H. 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.

##### I. BORROWING HISTORY

Year	Notes and Debentures Sold	Notes and Debentures Redeemed	Principal Repayments on Congregation Loans
2023/2024	0	0	0
2022/2023	2,947,969	2,336,939	1,122,162
2021/2022	2,740,736	1,192,309	1,646,308
2020/2021	1,592,505	769,892	2,927,475
2019/2020	447,291	415,325	2,298,472
2018/2019	964,851	1,724,171	1,168,052
2017/2018	778,925	1,216,819	1,090,606
2016/2017	1,263,060	1,510,491	1,282,439
2015/2016	939,506	652,375	1,150,629
2014/2015	912,160	658,595	1,450,697
2013/2014	117,784	711,136	1,704,950
2012/2013	1,468,245	478,959	627,342
2011/2012	1,686,050	1,803,590	760,731

##### V. LENDING BY THE FUND

###### A. 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. While fiscal soundness of the Fund is always the first priority, direct grants/financial assistance to member congregations and agencies may be made from profits. 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/grant 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	\$ 1,500,000.00
Housing Loans	\$ 500,000.00
Educational Units	\$ 2,500,000.00
New Sanctuaries	\$ 5,000,000.00
Grants/assistance	\$ 1,000,000.00

The Fund loans are interest-bearing loans, which are secured by taking title or first mortgage or, in specific instances, second mortgage or pledge/assignment of note for the property for which loans are advanced to congregations. Interest rates on these loans vary, and in some instances are guided by rates prevailing in the commercial money markets.

#### **B. 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.

#### **C. 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, provide for rostered worker primary housing, major equipment or capital improvement, 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. Security for major loans to congregations are usually a first mortgage on the church property and a first mortgage on the church for rostered workers' primary housing loans.

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, cash rebate on their loan. Rebates are based in accordance with the amount of investment support furnished by the members of a congregation compared to the balance of the loan as follows:

Upon request, 1% cash rebate provided supporting investments on deposit equaling 100% of the balance of the loan the prior 12 months, calculated monthly, and the loan is current each of the 12 months preceding request.

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. In 2023, the insurance on the properties securing two loans, including a loan to our Executive Director, became uninsured. One borrower has since obtained insurance and the property securing the loan to our Executive Director is expected to be sold shortly and the loan paid off. 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.

#### **D. UNCOLLECTIBLE LOAN RESERVE**

We evaluate our loans for risk and collectability using a risk rating system based on objective operational and ministerial values as well as reputation factors in a risk value analysis. Past company history has shown that the default rate for loans has been low. The risk rating system applies a risk value analysis by various categories to each loan which in the aggregate results in the reserve amount. For the year ended June 30, 2023, the Reserve for Uncollectible Loans amounted to \$74,943. We have established a reserve in this amount for uncollectible loans.

#### **E. BUSINESS CONTINUITY AND DISASTER RECOVERY**

The Fund's policy is to respond to a significant business disruption by safeguarding employees' lives and the Fund's property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the Fund's books and records, communicating effectively with our employees and clients, and allowing our clients to transact business.

Significant business disruptions can vary in their scope and severity. In a disruption the Fund will transfer its operations to a local site, when needed, and to recover and to resume business. In a disruption affecting the Fund's business district, city, or region, the Fund will transfer its operations to a site outside of the affected area and recover and resume business.

All customer and critical electronic data is maintained on a remote server in a secure offsite location operated by a third-party vendor with redundant data facilities. We can access all of our data remotely. Original notes are maintained in a secure location. All data, hardware, and software necessary to restore the system is kept in a secure, offsite location.

Our policy is to implement procedures designed to ensure the protection of proprietary and nonpublic personal information stored on electronic systems and to protect the Fund in the event of a cybersecurity attack.

#### **VI. 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, 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.

#### **VII. LEGAL MATTERS**

Legal matters in connection with the securities offered hereby will be passed upon for the Fund by Liskow & Lewis, Hancock Whitney Center, 701 Poydras Street, Suite 5000, New Orleans, Louisiana 70139.

#### **VIII. INDEPENDENT AUDITORS**

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

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

## **FINANCIAL STATEMENTS For the Years Ended June 30, 2020, 2021, 2022 and 2023 Together With Audit and Review Report**

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Comparative Statement of Activities for 2020, 2021, 2022 and 2023	A-19



Pepperman  
Emboulas  
Schwartz  
& Todaro, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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 (1932-2021)  
S. Irvin Todaro, Retired  
James M. Kolwe (1952-2007)

## INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees  
Southern District Church  
Extension Fund, Inc.

### OPINION

We have audited the accompanying financial statements of SOUTHERN DISTRICT CHURCH EXTENSION FUND, INC. (a non-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern District Church Extension Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern District Church Extension Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore *is not* a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southern District Church Extension Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern District Church Extension Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Peppin, Ceballos, Schwartz & Tiller, L.L.C.*



NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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. The company was created to assist churches in the district by financing new mission plantings and to expand existing ministries through affordable loans. Assets, liabilities, and net assets of The Southern District of The Lutheran Church-Missouri Synod 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 revenues.

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 affect 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 FASB ASC 958, Financial Statements of Not-for-Profit Organizations. As such, the financial statements are presented on the basis of net assets without donor restrictions.

D) CASH AND CASH EQUIVALENTS:

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

E) ACCOUNTS AND LOANS RECEIVABLE:

Accounts Receivable 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.

For Loans Receivable, the company has established a reserve for uncollectible loans using a risk rating system based on objective operational and ministerial values as well as reputation factors. The risk rating system applies a risk value analysis by various categories to each loan which in the aggregate results in the reserve amount. For the year ended June 30, 2023, the Reserve for Uncollectible Loans amounted to \$74,943. Past company history has shown that the default rate for loans has been low.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 net assets without donor restrictions.

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.

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 4, 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 Trustees has designated net assets without donor restrictions for the following specific purposes as of June 30, 2023:

Equipment Purchases	<u>\$ 25,000</u>
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NOTE 3 - INVESTMENTS:

Details of investments at June 30, 2023, are as follows:

SHORT-TERM:

Marketable Securities	<u>\$8,368,258</u>
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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."

NOTE 3 - INVESTMENTS: (Continued)

Cost and fair value of securities at June 30, 2023, are as follows:

	<u>FAIR VALUE</u>	<u>COST</u>	<u>GROSS UNREALIZED GAINS</u>	<u>GROSS UNREALIZED LOSSES</u>
Debt Securities	<u>\$ 3,611,034</u>	<u>\$3,594,054</u>	<u>\$16,980</u>	<u>---</u>
Equity Securities	<u>\$ 4,757,224</u>	<u>\$ 4,515,762</u>	<u>\$241,462</u>	<u>\$ ---</u>

Unrealized holding gains of \$1,016,116 are reported in the statement of activities as a component of net assets without donor restrictions. Gross unrealized losses at July 1, 2023, were \$757,674.

Investment management fees totaled \$67,266 for the year ended June 30, 2023. This amount is shown as a component of Investment Income - Net on the Statement of Activities. Total investment income for the year ended June 30, 2023, was \$296,448.

NOTE 4 - 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 - Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

NOTE 4 - FAIR VALUE MEASUREMENTS: (Continued)

Level 3 - Unobservable inputs for the asset or liability for which there is little or no market data, which require the use of the reporting entity's own assumptions.

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. There have been no changes in the methodologies used at June 30, 2023, and 2022.

- 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.

The following table sets forth by level within the fair value hierarchy the company's investments at fair value as of June 30, 2023, and 2022:

	<u>FAIR VALUE</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
<u>JUNE 30, 2023:</u>				
Mutual Funds	\$ 864,881	\$ 864,881		
Stocks And Bonds	<u>7,503,377</u>	<u>7,503,377</u>		
Total	<u>\$ 8,368,258</u>	<u>\$8,368,258</u>		
 <u>JUNE 30, 2022:</u>				
Mutual Funds	\$ 1,947,473	\$ 1,947,473		
Stocks And Bonds	<u>5,872,520</u>	<u>5,872,520</u>		
Total	<u>\$ 7,819,993</u>	<u>\$ 7,819,993</u>		

NOTE 5 - LOANS RECEIVABLE:

At June 30, 2023, the company had loans receivable totaling \$13,638,556. Interest rates ranged from 3.00% to 5.00% on these loans and details are shown

NOTE 5 - LOANS RECEIVABLE: (Continued)

on the Statement of Financial Position as follows:

Church Congregations	\$12,876,179
Related Party (See Note 15)	<u>762,377</u>
Total	\$13,638,556

As of June 30, 2023, the Board of Trustees has set interest rates for new loans to established congregations at 5.00% and 4.00% for designated missions.

NOTE 6 - SAVINGS DEPOSITS:

Details of savings deposits at June 30, 2023, are as follows:

	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	
<u>SHORT-TERM:</u>			
Lutheran Church Extension Fund - Steward Account Certificate	.125%	Demand	100
Lutheran Church Extension Fund - Fixed Rate Term Notes	Various	Various	<u>---</u>
Total Short-Term Deposits			<u>\$ ---</u>
<u>LONG-TERM:</u>			
Lutheran Church Extension Fund - Fixed Rate Term Notes	Various	Various	<u>\$1,593,865</u>

Amounts are uninsured (See Note 12) and deposits are with a related company (See Note 15).

NOTE 7 - PROPERTY AND EQUIPMENT:

A summary of property and equipment at June 30, 2023, is as follows:

Auto	\$ 126,699
Equipment	<u>45,891</u>
	\$ 172,590
Less Accumulated Depreciation	<u>\$ 98,479</u>
Auto and Equipment - Net	<u>\$ 74,111</u>

NOTE 7 - PROPERTY AND EQUIPMENT: (Continued)

Depreciation expense for the year ended June 30, 2023, was \$6,737.

NOTE 8 - NOTES PAYABLE TO INVESTORS:

Investor obligations at June 30, 2023, consisted of the following:

Savings Deposits:

Save-By-Mail Accounts and Young Elite Savers Accounts Due on Demand, Interest Payable at 1.25% for Save- By-Mail Accounts and 3% and 4% for Young Elite Savers Accounts	\$ 5,525,358
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Savings Certificates

God's Bank Certificates Due on Demand, Interest Payable at Various Rates	31,378
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Loans Payable:

Church Extension Fund Notes Due at Maturity, Interest Payable at 1% to 4.50%	12,848,660
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Debentures Payable:

10 and 15 Year Notes with Interest Payable at 3.50% to 5.45%.	<u>424,698</u>
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Total	\$18,830,094
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Details of notes payable to investors are shown on the Statement of Financial Position as follows:

Related Company (See Note 15)	\$ 5,196,542
Employees	10,564
Related Party (See Note 15)	96
Other Investors	<u>13,622,892</u>
Total	\$18,830,094

NOTE 9 - LIQUIDITY AND AVAILABILITY:

The company has \$12,679,325 of financial assets available within one (1) year of the Statement of Financial Position date to meet cash needs for general expenditure consisting of cash and certificates of deposit totaling \$2,716,598, accounts receivable of \$504, savings deposits of \$1,593,965, and short-term investments of \$8,368,258. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position. Savings deposits in the

NOTE 9 - LIQUIDITY AND AVAILABILITY: (Continued)

amount of \$1,593,865 have maturity dates beyond one year of the Statement of Financial Position date but would be available if needed to meet cash needs for general expenditure within one (1) year and thus are included in the total financial assets available of \$12,679,325.

NOTE 10 - RETIREMENT PROGRAMS:

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 program. Participants must complete five years of service in order to be eligible for benefits. Retirement program expense for the year ended June 30, 2023, was \$15,462.

The company also has a tax-sheltered annuity plan as well as a health savings account plan which covers all full-time employees. The company makes a matching contribution for those amounts contributed by each employee. Matching contributions totaled \$13,506 for the year ended June 30, 2023.

NOTE 11 - 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). For the year ended June 30, 2023, the company had no unrelated business taxable income to report. There were no interest or penalties recognized in the Statement of Activities regarding tax issues.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK:

The company maintains two checking and one savings account in two financial institutions located in Slidell, Louisiana. The balance of these accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2023, uninsured cash balances totaled \$1,928 with these institutions.

The company has cash and investment balances with three brokerage firms. Amounts are insured by the Securities Investor Protection Corporation up to \$500,000, with excess coverage provided by each brokerage firm through insurance contracts.

Savings deposits totaling \$1,593,965 (see Note 6) are uninsured.

NOTE 13 - INTEREST EXPENSE:

Interest expense for the year ended June 30, 2023, amounted to \$428,774. There was no interest required to be capitalized.

Details of interest expense are shown on the Statement of Activities as follows:

Related Company (See Note 15)	\$ 115,354
Employees	337
Related Party (See Note 15)	3
Other Investors	<u>313,080</u>
Total	\$428,774

NOTE 14 - LEASES:

The company adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02. The company adopted the standard effective January 1, 2022, and as of June 30, 2023, the company has no significant leases, therefore the adoption of the standard did not have an impact on the financial statements.

NOTE 15 - RELATED PARTY TRANSACTIONS:

The company has two (2) housing loans with the Executive Director. The total amount due on these loans at June 30, 2023, was \$762,377. Amounts borrowed during the current year were \$207,510. Principal payments totaling \$31,234 were received during the year. Interest payments on this loan totaled \$29,717. Interest accrued at June 30, 2023, amounted to \$1,676 and the loans were considered current with no past due principal or interest at June 30, 2023. The Executive Director has investor obligations with the company totaling \$96 at



June 30, 2023. Interest in the amount of \$3 was paid on these obligations for the year ended June 30, 2023.

The company rents its office facilities from a related company, The Southern District of The Lutheran Church-Missouri Synod. Rental expense for the year ended June 30, 2023, totaled \$48,000. This related company also has investor obligations with the company in the amount of \$5,196,542 at June 30, 2023. Interest paid on these obligations was \$115,354 for the year ended June 30, 2023.

The company has savings deposits at June 30, 2023, which are invested with a related company, Lutheran Church Extension Fund. The total deposits at June 30, 2023, were \$1,593,965 and the company earned interest of \$37,950 on these deposits for the year ended June 30, 2023.

NOTE 16 - EXPENSES BY FUNCTION:

The company's operating costs have been allocated between program and supporting services, based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. A summary of the company's functional allocation of expenses is as follows for the year ended June 30, 2023:

	PROGRAM SERVICES	SUPPORTING SERVICES	TOTAL
Salaries	\$104,564	\$117,798	\$222,362
Payroll Taxes	---	9,011	9,011
Employee Benefits	41,684	45,609	87,293
Auditing Fees	---	32,900	32,900
Auto Operation	35,622	8,905	44,527
Board And Committee Meetings	4,717	524	5,241
Conferences And Workshops	648	72	720
Community Service And Grants	26,758	668	27,426
Data Processing Costs	13,414	3,354	16,768
Depreciation	5,390	1,347	6,737
Equipment Maintenance	2,871	699	3,570
Incentive Rebates - Loans	23,788	---	23,788
Insurance	1,675	1,724	3,399
Legal Fees	10,882	---	10,882
Miscellaneous	947	8,531	9,478
Office Rent	24,000	24,000	48,000
Postage And Shipping	2,473	436	2,909
Public Relations	4,388	---	4,388
Rental Expenses	13,625	---	13,625
Stationery And Supplies	785	138	923
Telephone	7,824	1,381	9,205

Travel	5,369	—	5.369
Total	<u>\$331,424</u>	<u>\$257,097</u>	<u>\$588,521</u>

Program services are those involved in carrying out the company's mission. Supporting services include all activities other than program services. Generally, they include management and general and administrative activities.

NOTE 17 - CONTRIBUTED NONFINANCIAL ASSETS:

There were no contributed nonfinancial assets to be recognized for the year ended June 30, 2023.

NOTE 18 - SUBSEQUENT EVENTS:

Subsequent events are reported through September 6, 2023, which was the date the financial statements were available to be issued.

There were no significant events to report through that date.

Southern District Church  
Extension Fund, Inc.

STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023

ASSETS

Cash And Cash Equivalents		\$ 401,154
Accounts Receivable		504
Interest Receivable:		
Church Congregations	\$ 40,426	
Related Party	1,676	42,102
Loans Receivable:		
Church Congregations	\$12,876,179	
Related Party	762,377	13,638,556
Reserve For Uncollectable Loans		(74,943)
Short-Term Savings Deposits -		100
Related Company		
Long-Term Savings Deposits -		1,593,865
Related Company		
Short-Term Investments		8,368,258
Auto And Equipment - Net of Accumulated		
Depreciation of \$98,479		74,111
Advance Sites		4,955,746
Land And Buildings Held in Trust		643,702
Total Assets		<u>\$31,958,599</u>

LIABILITIES AND NET ASSETS

Savings Stamps Payable		\$ 124,363
Notes Payable - Other		1,500
Notes Payable to Investors:		
Related Company	\$5,196,542	
Employees	10,564	
Related Party	96	
Other Investors	13,622,892	18,830,094
Total Liabilities		<u>\$18,955,957</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated		\$12,903,531
Investment in Property and Equipment		74,111
Board Designated		25,000
Total Net Assets		<u>\$13,002,642</u>
Total Liabilities and Net Assets		<u>\$31,958,599</u>

See Accompanying Notes

Southern District Church  
Extension Fund, Inc.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

	WITHOUT DONOR RESTRICTIONS
Revenues:	
Investment Income - Net	\$ 229,182
Interest Income:	
Church Congregations	601,563
Executive Director -	
Related Party	29,717
Savings Deposits -	0
Related Company	37,950
Loss on Sale of Securities	-622,580
Rental Income	83,500
Royalty Income	523
Gain on Sale of Property	198,794
Total Revenues	<u>\$ 558,649</u>
Expenses:	
Operations:	
Salaries	\$ 222,362
Payroll Taxes	9,011
Employee Benefits	87,293
Auditing Fees	32,900
Auto Operation	44,527
Board and Committee Meetings	5,241
Conferences and Workshops	720
Community Service and Grants	27,426
Data Processing Costs	16,768
Depreciation	6,737
Equipment Maintenance	3,570
Incentive Rebates - Loans	23,788
Insurance	3,399
Legal Fees	10,882
Miscellaneous	9,478
Office Rent	48,000
Postage and Shipping	2,909
Public Relations	4,388
Rental Expenses	13,625
Stationery and Supplies	923
Telephone	9,205
Travel	5,369
Other:	
Bad Debt Expense	74,943
Interest Expense:	
Related Company	
Employees	115,354
Executive Director -	
Related Party	337
Other Investors	3
Total Expenses	<u>313,080</u>

Southern District Church  
Extension Fund, Inc.

STATEMENT OF ACTIVITIES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>
Expenses in Excess Of Revenues	(\$ 533,589)
Unrealized Holding Gains on Investments	1,016,116
Net Assets - Beginning of Year	<u>12,520,115</u>
Net Assets - End of Year	\$13,002,642

See Accompanying Notes

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:

Expenses In Excess of Revenues		\$533,589
Adjustments to Reconcile Expenses in		
Excess of Revenues to Net Cash		
(Used) in Operating Activities:		
Depreciation	\$6,737.00	
Gain On Sale of Property	\$(198,794.00)	
Reserve for Uncollectible Loans	\$74,943.00	
(Increase) Decrease in:		
Accounts Receivable	\$(58.00)	
Interest Receivable	\$7,806.00	
Increase (Decrease) in:		
Interest Payable	\$(32.00)	
Total Adjustments		\$(109,398)
Net Cash (Used) in		
Operating Activities		\$(642,987)

CASH FLOWS FROM INVESTING ACTIVITIES:

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of Certificates of Deposit	\$2,315,444.00	
Proceeds from Loans	\$1,122,162.00	
Issuance of Additional Loans	\$(772,039.00)	
Purchase of Savings Deposits	\$(37,950.00)	
Redemption of Savings Deposits	\$610,333.00	
Proceeds from Investments	\$4,910,229.00	
Purchase of Investments	\$(4,442,378.00)	
Additions to Advance Sites	\$(80,844.00)	
Additions to Land and Buildings Held in		
Trust	\$(8,105.00)	
Proceeds from Sale of Property	\$669,888.00	
Purchase of Autos and Equipment	\$(80,848.00)	
Net Cash (Used) in Investing		\$ (424,996)
Activities		

CASH FLOWS FROM FINANCING ACTIVITIES:

Stamps Consigned to Investors	\$(479)	
Payments to Investors	(2,344,845)	
Proceeds from Sales to Investors	3,338,689	
Net Cash Provided by		
Financing Activities		993,365
Net (Decrease) in Cash and		
Cash Equivalents		\$(74,618)

CASH AND CASH EQUIVALENTS

AT BEGINNING OF YEAR 475,772

CASH AND CASH EQUIVALENTS

AT END OF YEAR \$ 401,154

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year For:

Interest	\$ 428,806
Capitalized Interest	
Other Cash Flow Information:	
Unrealized Holding Gains	\$ 1,016,116

See Accompanying Notes

# **SOUTHERN DISTRICT CHURCH EXTENSION FUND**

## **Statements of Financial Position**

**For The Years Ending June 30**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,108,800	880,217	475,722	401,154
Certificates of Deposit	0	0	0	2,315,444
Accounts Receivable	1,732	420	446	504
Interest Receivable	96,975	80,1669	49,908	42,102
Loans Receivable/Auto Loans	17,536,973	15,044,822	13,988,679	13,638,556
Reserve for Uncollectable Loans	0	0	0	(74,943)
Investments & Reserves	3,963,442	7,952,572	9,986,341	9,962,223
Advance Sites	4,872,704	5,082,104	5,345,996	4,955,746
Land & Buildings - Held in Trust	818,155	824,107	635,597	643,702
Building - Net	0	0	0	0
Equipment & Autos - Net	16,048	6,878	0	74,111
Total Assets	\$ 28,414,829	29,871,289	30,482,739	31,958,599

## LIABILITIES AND NET ASSETS

Savings Stamps	125,144	124,950	124,842	124,363
Notes Payable - Investors	14,808,386	15,960,617	17,836,250	18,830,094
Interest and Other Payable	26	29	32	1,500
Notes Payables - Other	1500	1500	1500	0
Total Liabilities	\$ 14,935,056	16,087,096	17,962,624	18,955,957
Net Assets:				
Undesignated	\$ 13,438,725	13,752,315	12,495,115	12,903,531
Net Investment-Property and Equipment	16,048	6,878	0	74,111
Board Designated	25,000	25,000	25000	25,000
Total Net Assets	\$ 13,479,773	13,784,193	12,520,115	13,002,642
Total Liabilities and Net Assets	\$ 28,414,829	29,871,289	30,482,739	31,958,599

# **SOUTHERN DISTRICT CHURCH EXTENSION FUND**

## **Statements of Activities**

**For The Years Ending June 30**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Support and Revenues:</u>				
Support:				
Individuals/Bequests/Legacies	\$ 0	0	0	0
Property Sales	7,209	0	46,160	198,794
Revenues:				
Investment Income	77,770	13,824	137,691	296,448
Interest Income	714,352	735,477	647,017	669,230
Securities-Gain/(Loss) on Sale	(34,326)	97,458	(97,702)	(622,580)
Rental Income/Royalty Income	52,999	46,577	53,197	84,023
Other	6,627	5,134	0	0
Total Support and Revenue	\$ 824,631	898,470	786,363	625,915
<u>Expenses:</u>				
Wages/Benefits	\$ 255,620	286,510	294,959	318,666
Property Expenses	26,072	57,367	31,479	51,496
Meetings and Travel	12,306	2,037	9,203	11,330
Administration/Promotional	99,099	96,173	93,375	132,722
Audit/Legal fees	40,809	42,725	41,799	43,782
Investment fees	21,286	35,201	65,187	67,266
Incentive Rebates - Loans				23,788
Impaired Loan Fund				74,943
Debit Retirement	0	0	0	0
Depreciation	9,170	9,170	6,878	6,737
Interest Expense	349,793	365,210	390,296	428,774
Total Expenses	\$ 814,155	894,393	933,176	1,159,504
Change in Net Assets	\$ 10,476	4,077	(146,813)	(533,589)
Unrealized Holding/Gains (Losses) on Investments	136,576	300,343	(1,117,265)	1,016,116
Net Assets-Beginning of Year	13,332,721	13,479,773	13,784,193	12,520,115
Net Assets-End of Year	\$ 13,479,773	13,784,193	12,520,115	13,002,642



