

**The Texas District of
The Lutheran Church—Missouri Synod**
TEXAS DISTRICT CHURCH EXTENSION FUND



OFFERING CIRCULAR

\$35,000,000

7900 E. Highway 290
Austin, Texas 78724
www.TexasCEF.org
Telephone 512-646-1233 1-888-951-1233

These securities are offered pursuant to registration exemptions under the provisions of the Texas Securities Act, found at Vernon's Texas Revised Civil Statutes Article 581-5(k), the federal Securities Act of 1933, as amended, found at 15 U.S.C. § 77c(a)(4) and the federal Securities Exchange Act of 1934, as amended, found at 15 U.S.C. § 78l (g)(2)(D). A registration statement relating to these securities has not been filed with Texas State Securities Board or with the United States Securities and Exchange Commission. Neither the Board nor the Commission has passed upon the value of these securities, made any recommendations as to their purchase, approved or disapproved the offering, or passed upon the adequacy or accuracy of this Offering Circular. Any representation to the contrary is unlawful.

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED AT PAGE 4 HEREOF.

The date of this Offering Circular is July 1, 2021.

(This Offering Circular is intended to be used by investors from July 1, 2021 through June 30, 2022.)

The following investment obligations (the "Notes") of The Texas District Church Extension Fund are offered under the terms set forth under "Description of Notes Offered" on pages 13-15. Except as noted, each of the following Notes is offered July 1, 2021.

Savings Stamps

Savings stamps issued for 25¢ and \$1.

Flex Savings

A savings plan that permits additions to the initial investment (minimum of \$10) and withdrawal privileges with no loss of interest.

Rainy Day Fund

A savings plan that permits additions and requires monthly EFT investments to receive a premium rate of interest up to \$10,000.00.

Fixed Rate Notes

Notes having fixed terms of 1, 3 or 5 years, a minimum balance of \$500 and a fixed rate of interest.

Floating Rate Notes

Notes having fixed terms of 1, 3 or 5 years, a minimum balance of \$500 and a floating rate of interest.

Congregation Savings

Investments for congregations and auxiliary organizations operating under the auspices of congregations.

Building Fund

Investments for congregations for construction of new facilities and other similar capital projects.

An application for investment is on last page of Offering Circular.

THIS PAGE INTENTIONALLY LEFT BLANK.

TABLE OF CONTENTS

	Page
Cover Page	1
Table of Contents	3
Summary	4
Risk Factors	4
History and Operations	6
Use of Proceeds	7
Financing and Operational Activities	7
Lending Activities	10
Investing Activities	10
Selected Financial Data	12
Description of Notes Offered	14
Plan of Distribution	17
Tax Aspects	17
Litigation and Other Material Transactions	18
Management	18
Officers, Board Members and Staff	19
Financial Statements	23
Independent Auditors' Report	24
Statements of Financial Position	26
Statement of Activities: Year Ended January 31, 2021	28
Statement of Activities: Year Ended January 31, 2020	30
Statement of Activities: Year Ended January 31, 2019	32
Statement of Functional Expenses: Year Ended January 31, 2021	34
Statement of Functional Expenses: Year Ended January 31, 2020	36
Statement of Functional Expenses: Year Ended January 31, 2019	38
Statement of Cash Flows	40
Notes to Financial Statements	42
Texas District CEF Privacy Notice	56
Application for Investment	57

SUMMARY

The debt of the Texas District of The Lutheran Church—Missouri Synod Church Extension Fund (“TexasCEF”) is not secured in any respect. There is no “sinking fund” for repayment upon maturity or earlier request for withdrawal. The Board for Church Extension attempts to maintain sufficient liquidity to meet normal withdrawal requests. **THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DETAILED HEREIN.**

No commissions are paid in connection with efforts to raise funds under this Offering Circular, and the offering is not underwritten.

The method of promotion, more fully described herein, is designed to reach members of congregations of the Texas District of The Lutheran Church—Missouri Synod (the “Texas District” or “District”), and it is believed that substantially all funds are from such members. Applications require the investor to indicate the congregation in which they hold membership.

Each investor is entitled to and should receive an Offering Circular before making a decision to invest or reinvest. Copies can be obtained by written request to the TexasCEF office, at local congregations of the Texas District, or online at www.texascef.org.

RISK FACTORS

1. **Unsecured Obligations.** The indebtedness to be issued pursuant to this offering is unsecured, and the repayment of the principal and interest thereon is wholly dependent upon the financial condition of the TexasCEF and the Texas District, as well as the financial condition of the various congregations to which the loans are made. The ability of the various congregations to repay the loans from the TexasCEF may be adversely affected by population shifts or other factors. See delinquency discussion on page 13.
2. **No Sinking Fund.** The indebtedness offered hereby is not secured by a pledge or mortgage of any assets. There is no “sinking fund” for repayment. The instruments offered hereunder are not senior or subordinated to any other securities or indebtedness of the TexasCEF or the District. It is anticipated but not assured that subsequent issues of securities, if and when issued, will have equal rank with those heretofore issued and those issued hereunder.
3. **Loan Repayments.** The obligations issued by the TexasCEF are of a relatively short-term nature. Loans to member congregations, however, are of longer terms. Current policy allows for loans with terms up to thirty (30) years. However, the District includes rate adjustment and call features in substantially all of its loans. Historically, TexasCEF has been able to meet principal and interest requirements on its outstanding investment obligations from the principal and interest it receives from outstanding loans and from available reserves. Because of the non-liquid nature of outstanding loans, however, future repayment of outstanding Notes by the TexasCEF may depend to a considerable extent on continued sale of investment securities and renewal of investments by existing Note holders. The TexasCEF attempts to maintain cash-and-liquid fund reserves not less than fifteen (15%) percent of the total Notes outstanding for the payment of interest and redemption of Notes.
4. **Redemption of Notes.** There is no market for the fixed or floating rate Notes offered hereby, and it is not anticipated that a market will develop. Moreover, the fixed or floating rate Notes offered hereby cannot be resold or otherwise transferred. However, the practice and policy of the TexasCEF to date has been to honor requests for early redemption of fixed or floating rate Notes, subject to a penalty for early withdrawal, all as set forth below in connection with “Description of Notes Offered.” The continuing ability of the TexasCEF to honor requests for early redemption is, in large part, a function of factors outside of the control of TexasCEF.

5. No Minimum Subscription. There is no minimum level of aggregate subscriptions which must be received and accepted before any subscription may be finally accepted. No provisions have been made for the refund of subscriber's investment should all of the offering not be sold.

6. Litigation. As a component of the District, the TexasCEF is vulnerable to claims against, and liabilities of the District. The explosion of litigation in our society has not excluded the District, which has been and may in the future be party to lawsuits as plaintiff or defendant. The District maintains insurance deemed appropriate to its operations. There are no material claims pending against the District at this time. There can be no assurance, however, that the District will be wholly successful in its defense of any claim which may be brought against it in the future.

7. Taxable Interest. There are no income tax benefits with respect to investment in the Notes and interest paid or payable on Notes is taxed as ordinary income regardless of whether interest is received by the investors or retained and compounded by the issuer. See "Tax Aspects" on page 17.

8. Market Rate Risk. The issuer's assets invested in readily marketable securities are subject to various market risks. The value of securities is based on a quoted market price and investment losses will result from a drop in market values.

9. Changes in Laws. Changes in federal or state laws may make it more difficult or costly for TexasCEF to offer and sell such Notes in the future.

10. The ISSUER's loans are made primarily to affiliated churches and related religious organizations in the Lutheran Church-Missouri Synod, including local churches, whose ability to repay the loans depends primarily upon contributions that they receive from their members.

11. There are risks related to geographic concentration of loans to affiliated churches or other related organizations within a limited region, the State of Texas. Changes in economic conditions of the State of Texas could affect the ability of the churches or organizations, as a group, to repay the loans.

12. Adverse Market Conditions. TexasCEF's liquid assets invested in readily marketable securities are subject to various market risks. The value of the investments is based on a quoted market price, and investment losses will result from a drop in market values.

13. Risk from Loan concentration. As of January 31, 2021, loans from ten borrowers represented 54% of the total loan balance. Below is a chart showing the balances of the 10 highest borrowers.

Largest Loans	
(Loan Balance in thousands)	
	11,241
	10,758
	9,902
	8,187
	6,031
	4,762
	3,841
	3,516
	3,669
	<u>3,004</u>
Total	<u>\$ 64,911</u>

HISTORY AND OPERATIONS

The Texas District is a non-profit Texas corporation organized in 1906 and incorporated in 1953.

The Texas District is an association of Lutheran congregations banded together to perform functions which they alone could not perform. It has as its objective the conservation and promotion of the Christian faith, the Christian education of its members, and the extension of the kingdom of God. The Texas District includes all of the State of Texas with the exception of El Paso County.

The latest statistics available show the Texas District to have 396 congregations with a membership of 110,012 baptized members served by 345 parish pastors and 2,519 teachers. The District's executive offices are at 7900 East Highway 290, Austin, TX 78724-2499.

The TexasCEF, established in 1906 as a separate treasury of the Texas District, provides loans and funds to member congregations, the District itself, and associations qualifying as Lutheran Church—Missouri Synod recognized service organizations in Texas. The TexasCEF is a ministry of the Texas District and is not a separate legal entity. The TexasCEF has a nine member Board for Church Extension appointed by the Texas District Board of Directors. Decisions of the Board for Church Extension are subject to review and approval by the Texas District Board of Directors.

Securities of the Texas District should not be confused with those offered by the national church organization, the Lutheran Church Extension Fund—Missouri Synod. Potential investors should consult the Offering Circulars of the TexasCEF and of the Lutheran Church Extension Fund—Missouri Synod independently. Neither organization underwrites, nor is financially involved in, the security offerings of the other.

Fund Accounting

The Texas District accounts are maintained in accordance with the principles of "Fund Accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The Texas District accounts for activities in two funds: Current Fund and The Church Extension Fund. The table below reflects the net activity in the Current Fund for the most recent three years. Details for The Church Extension Fund activities begin on page 7.

The Current Fund receives most of its support and revenue from voluntary gifts given by congregations that are members of the District. Mission and ministry expenditures include amounts given to support world missions through The Lutheran Church-Missouri Synod; gifts and grants to newly formed congregations and other ministries in the District; and salaries for staff who provide services to member congregations.

Current Fund (Dollars in Thousands)

	Years ended Jan 31		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total support and revenue and other additions	7,880	6,882	6,607
Total mission and ministry expenditures	6,725	7,207	7,906
Change in net assets	2,877	397	(375)
Net assets at end of year	15,170	12,293	11,896
Total assets at end of year	16,512	12,731	12,323

USE OF PROCEEDS

The proceeds received by the TexasCEF upon the issuance of its evidence of indebtedness will be used together with the TexasCEF's other funds, for loans to member congregations, to the Texas District itself, and to recognized service organizations of The Lutheran Church—Missouri Synod located in Texas, for capital expansion and other ministry purposes. These include, but are not limited to, the construction and/or remodeling of churches and other church facilities, and mortgage loans to congregations and to the Texas District to enable them to provide housing to their ministers. Such proceeds may be invested in interest-bearing obligations and other investments pending utilization and are not necessarily earmarked for any particular construction program. In addition to capital expansion and other ministry purposes, proceeds received by the TexasCEF may be used for repayment of Notes as they mature and redemption of Notes when requested by the holders of such Notes.

Because one function of the TexasCEF is to make loans to new congregations, loans will sometimes be extended to congregations unable to obtain funds in the normal money markets. In many instances, the TexasCEF will be providing the borrower with funds in the form of a subsidy reflected in a lower interest rate than that offered to self-supporting congregations. Outstanding loans range in rate from 2.25% to 7.00% interest. Current loans to newly started congregations are initially granted at 2.75% during the construction period and the first two 3-year terms. Then the rate will be the self-supporting rate with interest rate and payment amounts adjusted every three years. Loans to self-supporting congregations may be granted at 3.5% for terms up to 30 years with interest rate and payment amounts adjusted every three years. These rates are subject to change.

FINANCING AND OPERATIONAL ACTIVITIES

1. Outstanding Notes Payable

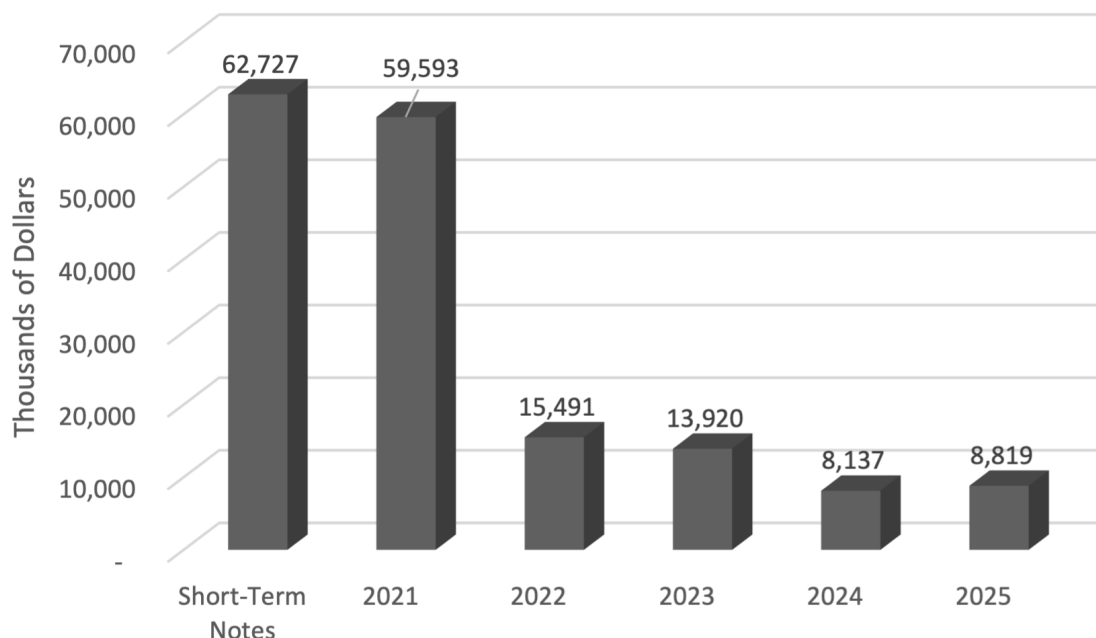
The TexasCEF's primary means of generating funds is through the sale of its Notes. The following table shows the types of Notes and debt obligations that have been sold and incurred as of January 31, 2021:

Outstanding Notes Payable
Balances as of January 31, 2021
(Dollars in Thousands)

	Non-IRA Notes	IRA Notes	Total
Short Term Notes	\$ 62,705	22	62,727
1 Year Fixed Rate Notes	35,108	345	35,453
3 Year Fixed Rate Notes	18,919	268	19,187
5 Year Fixed Rate Notes	34,707	910	35,617
1 Year Floating Rate Notes	7,508	41	7,549
3 Year Floating Rate Notes	4,670	261	4,931
5 Year Floating Rate Notes	<u>3,129</u>	<u>95</u>	<u>3,224</u>
Total Notes Payable	<u>166,746</u>	<u>1,942</u>	<u>168,688</u>

The following table shows the maturities of the Notes payable for each of the next five years. The TexasCEF believes it will be able to pay these redemptions from repayments of loan principal and interest expected to be received for the same periods.

Maturities- Notes Payable Balances as of January 31, 2021



2. Receipts & Redemptions

The following table shows a comparative investment and redemption report of activity. Transfer refers to circumstances where the investor changes one maturing investment type for a different one.

Receipts & Redemptions
For Year Ending
(Dollars in Thousands)

	Jan 31				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
New investments	\$ 29,020	20,317	21,239	26,822	24,547
Transfers	<u>3,851</u>	<u>2,733</u>	<u>2,358</u>	<u>1,897</u>	<u>1,858</u>
Total receipts	<u>32,871</u>	<u>23,050</u>	<u>23,597</u>	<u>28,719</u>	<u>26,405</u>
Redemptions	16,394	14,575	15,467	16,248	16,253
Transfers	<u>1,763</u>	<u>886</u>	<u>2,521</u>	<u>2,744</u>	<u>2,239</u>
Total redemptions	<u>18,157</u>	<u>15,461</u>	<u>17,988</u>	<u>18,992</u>	<u>18,492</u>
Net	<u>\$ 14,714</u>	<u>7,590</u>	<u>5,609</u>	<u>9,727</u>	<u>7,913</u>

3. Outstanding loans receivable as of January 31, 2021

The following table shows the amount and type of loans receivable exclusive of its loan revaluation reserve on January 31, 2021, with the weighted average interest rate as of January 31, 2021:

Loans Receivable			
Balance as of January 31, 2021			
(Dollars in Thousands)		Average	% of Total
		Int Rate	
Loans to Congregations	\$116,444	3.27%	95.0%
Loans to District	0	3.00%	0.0%
Loans to Recognized Service Organizations	5,983	3.09%	4.9%
Non-Lutheran Loans	<u>88</u>	7.00%	0.1%
Total loans receivable	\$ <u>122,515</u>		

A summary of the maturities of loan balances (as of January 31, 2021) which are expected to mature in the upcoming years is as follows:

Maturities of Loan Receivables	
(Dollars in Thousands)	
2021	8,598
2022	4,461
2023	5,903
2024	5,009
2025+	<u>98,544</u>
Total	\$ <u>122,515</u>

LENDING ACTIVITIES

TexasCEF loans to member congregations, recognized service organizations and to the Texas District are primarily interest-bearing loans which are normally secured by pledges or mortgage of the property and buildings for which funds are to be used. Interest rates on these loans vary as a function of market interest rate conditions at the time of the loan and are subject to adjustment periodically throughout the term of the loan.

Loans are extended primarily to incorporated congregations of the Texas District. Factors considered in deciding on the issuance of a loan include: (a) the purpose toward which funds will be used and how such will aid the ministry in that place; (b) the history of the congregation, including membership and financial statistics; (c) projected community and membership population; (d) an analysis of past, current and projected financial capacity of the congregation; (e) a cost analysis of the project; and (f) a review of the site and architectural plans and specifications. It is normally required that the congregational property for which the loan is made will be subject to no debt other than the first lien in favor of the TexasCEF.

Material loans made to single borrowers

In order to manage the risk in making large loans, loans are limited in size to 35% of TexasCEF's equity. In special circumstances when congregations request loans in excess of 35% of TexasCEF's equity, the Board for Church Extension and the Board of Directors of the Texas District of the Lutheran Church - Missouri Synod will review each request individually.

As of January 31, 2021, there are no loans that exceeded 35% of capital. The following table shows all loans whose current balance exceeds 15% of capital:

Material Loans	
Balances as of January 31, 2021	
Dollars in Thousands	Percent of Capital
\$ 11,241	23.4%
10,758	22.4%
9,902	20.6%
8,187	17.0%

These four loans total \$40,088,767. This is 33% of the total loan portfolio.

INVESTING ACTIVITIES

In the normal course of its operations Texas CEF carries liquidity, as required by policy, to meet investor withdrawal requests, fund loan commitments and pay expenses. The investment portfolio is managed by the Executive Director, receiving counsel from the Investment Committee and oversight by the BCE and Board of Directors.

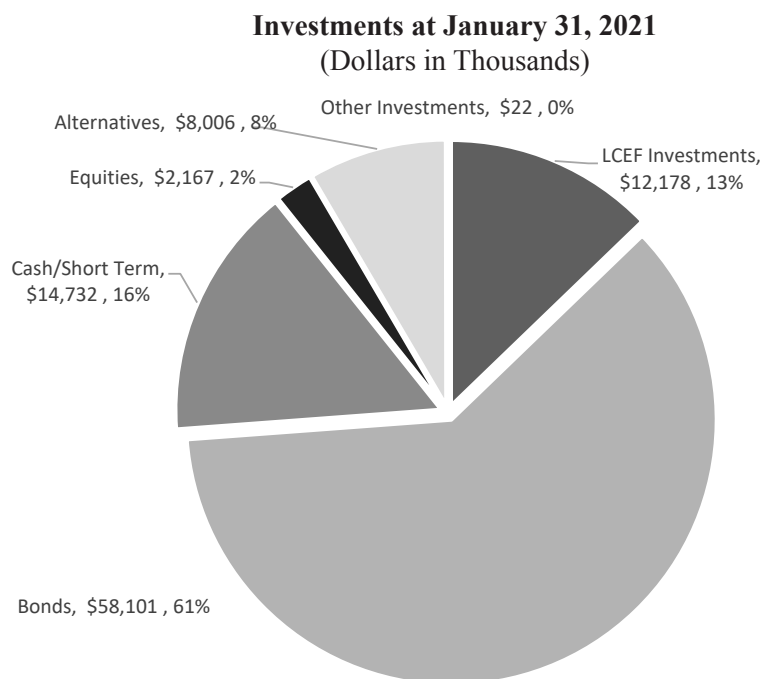
The Investment Committee consists of the Texas CEF Executive Director, Texas CEF Director of Operations, the BCE Chair and BCE Vice Chair (or BCE designee as appointed by the Chair). The District Treasurer may act in an advisory capacity to the Investment Committee. The Investment committee meets at least every other month and assists Texas CEF's management regarding CEF's Investment Policy.

The BCE along with the Texas District Board of Directors approves the investment policy of Texas CEF. This policy allows for a conservative approach for investing. Texas CEF may invest in a combination of fixed income, equity and alternative investments. Some of these investments are selected to offset potential fixed income losses associated with rising interest rates and inflation and to generate a higher total return and yield. Texas CEF may also invest a portion of the funds with the Lutheran Church Extension Fund (LCEF) as outlined in the investment policy. LCEF investments are unsecured general obligations of LCEF and are not rated. Texas CEF is not permitted to invest in derivative securities, investments contrary to the beliefs and tenants of our faith or any investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected. The target asset allocation is used as the primary tool to achieve this goal. The target asset allocation ranges for CEF's portfolio are as follows:

Asset Class	Minimum	Target	Maximum
Equities	0%	7%	15%
Alternatives	0%	13%	17%
Bonds/LCEF	40%	60%	80%
Cash/Short Term	5%	20%	35%

*Alternatives are defined as Equity Hedge Assets, Equity Return Assets, Private Credit and Private Equity.

Texas CEF has contracted with Graystone Consulting, a business of Morgan Stanley as an adviser for the portfolio. Graystone Consulting has been given the investment policy and is required to adhere to it. Monthly statements of activity from Graystone are reviewed by Texas CEF Management and periodic reports are reviewed by the investment committee, Board for Church Extension and the Texas District Board of Directors.



Unrealized Gain/Loss on Investments
(Dollars in Thousands)

	January 31, 2021	January 31, 2020	January 31, 2019
Unrealized Gain on Investments	\$2,174.9	\$349.0	\$(277.6)

SELECTED FINANCIAL DATA

Selected Financial Data (Dollars in Thousands)

	Jan 31					
	2021	2020	2019	2018	2017	2016
Cash, Cash Equivalents & Readily Marketable Securities	\$95,205	71,266	60,259	67,151	64,907	58,344
Liquidity Ratios	43.18%	46.28%	41.22%	47.80%	46.96%	47.10%
Loans Receivable, Net Of Loan Loss Reserve	121,216	126,176	129,713	111,909	103,844	101,709
Loan Delinquencies As A Percent Of Loans Receivable	0.00%	0.00%	0.03%	0.06%	0.06%	0.06%
Total Assets	217,956	198,880	189,906	183,191	173,229	164,881
Total Notes Payable	168,688	153,974	146,174	140,601	130,844	122,932
Amount Of Notes Redeemed During The Fiscal Year	16,394	14,575	15,467	16,248	16,253	13,837
Net Assets	48,107	43,757	42,598	41,554	41,389	40,927
Change In Net Assets	4,350	1,159	1,044	165	462	1,728
Ratio Of Net Assets To Total Assets	22.1%	22.0%	22.4%	22.6%	23.9%	24.5%

TexasCEF staff and the Board for Church Extension regularly review the overall financial condition of the TexasCEF. This is done in part by reviewing past and expected performance in certain key areas.

Source of Payments of Notes

Historically, interest and principal payments on TexasCEF Notes have been made primarily from the amounts received as principal and loan payments on outstanding loans. TexasCEF anticipates that it will continue to experience similar results in the future.

Capital Adequacy

TexasCEF maintains capital (net assets) to provide an adequate base to support the financial position and operations for TexasCEF and to protect investors against loss in the value of the assets that could adversely affect TexasCEF's ability to fully repay their investments.

The Board for Church Extension has established policy requiring a minimum capital level equal to 15% and setting a maximum level of 25% of total assets. As of January 31, 2021, the capital to assets ratio was 22.0.

Liquidity

TexasCEF maintains liquidity to meet investor withdrawal requests, fund loan commitments and pay expenses. TexasCEF maintains a reserve requirement, which is 15% of investor payables. As of January 31, 2021, cash and cash equivalents had a value equal to 43.2% of its outstanding Notes.

Cash Flow

The amount of principal repayments from the loan receivable portfolio has met the demand for redemption of term Notes.

Loan Delinquencies and Loss

On January 31, 2021, the principal balance of TexasCEF's loans with payments ninety days past due amounted to 0.0% of total loans receivable. Because the objective of TexasCEF is to assist borrowing congregations' ministries, it may forebear exercising its default remedies to a greater extent than other lenders. TexasCEF has generally been more willing to accept partial payments and late payments from delinquent borrowers than other lenders. When the ministry of a delinquent borrower recovers, and they are able to make regular payments, TexasCEF may consider renegotiation of the loan. The renegotiation may include capitalization of previously accrued and unpaid interest. Currently there are not any loans in the loss category and there have not been any loan losses during the last five years.

Substandard and Distressed Loans

TexasCEF assists struggling congregations with reduced payments from payments originally contracted in the original loan until the congregation recovers. At recovery, some loans are then restructured. TexasCEF places these loans in the following categories:

Substandard Congregation has received accommodation on payments (e.g. paying interest only or an amount less than minimum principal and interest as required by their promissory note). Collateral is sufficient to cover entire balance.

Distressed Congregation has secured a line of credit to support operations or loan is 90+ days delinquent. Collateral is sufficient to cover entire balance.

Loss Congregation cannot repay loan and collateral insufficient to cover entire balance

As of January 31, 2021, Texas CEF did not have any loans in the substandard, distressed and loss categories.

The following Table Shows TexasCEF allowance, provisions, charge-offs and recoveries for the past 5 years:

	Fiscal Year Ending Jan 31				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Allowance Beg of Year	1,253,335	1,208,335	1,118,335	1,248,335	1,158,335
Provision	45,000	45,000	90,000	(130,000)	90,000
Charge off	0	0	0	0	0
Recoveries	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Allowance End of Year	1,298,335	1,253,335	1,208,335	1,118,335	1,248,335

Net Income

In order to protect the TexasCEF from deterioration of its capital position due to financial losses from operations, the TexasCEF is managed in a manner that assures that interest income and loan origination fees will be sufficient to provide for interest expense and operating costs. TexasCEF has achieved a positive net income in each of the past five years.

DESCRIPTION OF NOTES OFFERED

The offer and sale of the instruments or investment opportunities listed is limited to investors who, prior to the receipt of this circular, were members of, contributors to or participants in The Texas District or any congregation or other program, activity or organization which constitutes a part of the Texas District or any of its congregations or was the trustee, agent or other custodian for an ancestor, descendant or successor in interest to such investor.

Types of Instruments or Investment Opportunities That Are Available in the Program of the TexasCEF

1. Flex Savings: This is a savings plan that permits addition to the initial investment (minimum of \$10) and withdrawal privileges with no loss of interest. Withdrawal payments will normally be made on demand. However, TexasCEF 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 Flex Savings (new and outstanding) may be adjusted at any time. An investment record of additions, subtractions and interest earnings is mailed to the investor semiannually.

2. Rainy Day Fund: This is a savings plan that permits addition to the initial investment (minimum of \$25). Initial funds must be new and not a transfer from an existing CEF investment. This plan requires a monthly EFT (Electronic Funds Transfer) investment of at least \$25 until the balance in the investment reaches \$10,000. Withdrawal payments are limited to 5 per year. The interest rate will be at least $\frac{1}{4}$ of a percent above the flex savings rate for the first \$10,000 and will pay the Flex Savings rate on any amount above \$10,000.00. A recurring EFT investment of at least \$25 per month is required to receive the premium rate unless the balance is above \$10,000, if this condition is not met, the investment will convert to a flex savings investment. An investment record of additions, subtractions and interest earnings is mailed to the investor semiannually. This investment is limited to one per household.

3. Congregation Savings: These are sold only to congregations and organizations operating under the auspices of congregations. This is a plan that permits addition to the initial investment (minimum \$10) and withdrawal privileges at any time with no loss of interest. The interest rate on all Congregation Savings may be adjusted at any time. An investment record of additions, subtractions and interest earnings is mailed to the congregation monthly.

4. Building Funds: These are sold only to congregations. This is a plan that permits additions to the initial investment (minimum \$10) at any time. Withdrawals for construction of new facilities, large capital purchases and major renovations or the prepayment of debt may be made at any time without penalty. Other withdrawals including regular monthly principal and interest payments are subject to the loss of one-year's interest. The interest rate on Building Funds may be adjusted at any time. Building Funds will generally receive a rate of interest equal to the highest rate TexasCEF offers on any of its other instruments. An investment record of additions, subtractions and interest earnings is mailed to the congregation quarterly.

5. Fixed Rate Notes: These Notes have a specific term, fixed interest rate and require a minimum investment. They are automatically renewable at the option of the TexasCEF for a like term at the interest rate then in effect for Fixed Rate Notes of the same term, unless written notice of intention to redeem it is received by TexasCEF within 20 days before or after maturity. TexasCEF seeks to apprise investors of impending maturity in writing at least 30 days prior to the due date. TexasCEF may call these Notes at any time by giving at least 60 days written notice, at which time interest shall cease to accrue. Interest is generally paid quarterly. The investor has the option of receiving interest through Electronic Funds Transfer (EFT) monthly or quarterly, or leaving it to be compounded. Method of receiving interest payments is elected at the time of investment and may be changed on written request from the investor.

The rates of interest for all Fixed Rate Notes will be set by the TexasCEF. The rate of interest on new Fixed Rate Notes to be offered is subject to change at any time.

1-Year Notes. Require a minimum investment of \$500.

3-Year Notes. Require a minimum investment of \$500.

5-Year Notes. Require a minimum investment of \$500.

6. Floating Rate Notes: These Notes have a specific term and require a minimum investment that may be waived if the investor elects to make regular monthly investments using EFT. Additional investments may be made to these Notes at any time in minimum amount of \$25. Such additional investments shall not extend the maturity date of these Notes. The Notes are automatically renewable at the option of the TexasCEF for a like term in accordance with TexasCEF's then current written procedures for Notes payable with respect to Floating Rate Term Notes, if not presented for payment by the holder prior to their due date. The TexasCEF seeks to apprise investors of impending maturity in writing at least 30 days prior to the due date. TexasCEF may call these Notes at any time by giving at least 60 days written notice, at the end of which time interest shall cease to accrue. Interest is generally paid quarterly. The investor has options of receiving interest through EFT monthly or quarterly, or leaving it to be compounded. The method of receiving interest payments is elected at the time of investment and may be changed on the annual anniversary of that date on written request from the investor.

The Notes pay a FLOATING rate of interest adjusted monthly on the first day of each month. The rate paid will be the two month trailing monthly average Treasury Constant Maturity (as published by the Federal Reserve Bank) yield of the same term as this Note plus an increment determined by TexasCEF.

1-Year Notes. Require a minimum investment of \$500.

3-Year Notes. Require a minimum investment of \$500.

5-Year Notes. Require a minimum investment of \$500.

IRA Investments

TexasCEF offers its Flex Savings, Fixed Rate and Floating rate notes as investments to fund Individual Retirement Arrangements (IRA's).

TexasCEF has made arrangements with Gold Star Trust Company to act as a custodian of self-directed IRA's, and upon direction of individual investors, to invest funds with TexasCEF. A processing fee may be assessed by Gold Star for certain transactions.

Investors are encouraged to consult with their tax advisors before deciding to invest IRA assets in a TexasCEF investment since IRA's are subject to specific requirements under the Internal Revenue Code.

Other Programs

1. Kids Into Discipleship and Stewardship (K.I.D.S.) Stamps: These are sold primarily to children and youth through the Sunday School and Parochial Schools of Texas District congregations. Stamps have cash value of 25¢ and \$1, and may be accumulated in stamp books. Filled stamp books may be transferred to Flex Savings or existing Floating Rate Notes for the face value of all stamps accumulated. Texas congregations receive the saving stamps on consignment in blocks of \$100, and sell them to their members and/or members' children. The stamps may also be purchased and paid for as they are sold.

2. Texas Two-Step. Texas Partners in Mission (TPIM) is part of the Texas District LCMS focused on raising new gifts to support new mission church planting in Texas. Funds contributed through TPIM are gifts to the Current Fund and are used by the Board of Mission Administration to support mission developers and to provide financial assistance to newly formed congregations. Texas Two-Step is a program Texas CEF offers in association with Texas Partners in Mission. Teaming up to increase financial resources available for planting new congregations, Texas CEF and TPIM seek contributed dollars and invested dollars to meet the challenges of planting new ministries. Texas Two-Step is designed to multiply gifts and investments to help share the Gospel with more and more people. When a new fixed-rate Texas CEF investment of \$5,000 or more is opened with Texas CEF and a gift of at least 10% of the initial investment amount is given to TPIM, Texas CEF will match the gift to TPIM 100% AND will pay a bonus 1% interest rate for the initial term of the investment. The investment amount earning a bonus 1% is limited to 10 times the gift amount (e.g. a \$50,000 investment, earning a bonus 1%, equals a gift of at least \$5,000)

Penalties For Redemptions Prior to Maturity

The TexasCEF is not required to redeem any Note prior to its maturity. However, as a matter of policy and practice, the TexasCEF may redeem, at its discretion, such Notes, regardless of maturity, at the request of the investor, upon the showing of necessity or emergency. Notes submitted prior to maturity are subject to an interest penalty, being the loss of 90 days of interest for 1-Year Notes and 3-Year Notes, and being the loss of 180 days of interest for 5-Year Notes.

Types of Ownership

Investments may be opened in a variety of ownership designations including: Individual, Joint Tenants with Right of Survivorship, Custodial, and Trust, Business, etc. The following definitions briefly describe these designations.

- **Individual Investment.** The investor owns the investment. On the death of the investor ownership of the investment passes as a part of the investor's estate under the investor's will or by intestacy unless the investor has named a pay on death beneficiary.
- **Joint Tenants with Right of Survivorship Investment.** The investors own the investment in proportion to their net contributions. TexasCEF may pay any sum in the investment to any owner at any time. On the death of an investor, the investor's ownership of the investment passes to the surviving investor(s).
- **Trust, Business, etc.** The investment is owned by the trust, business, etc. TexasCEF may pay any sum in the investment as directed by any authorized trustee/officer except as otherwise directed by a written trust instrument provided to TexasCEF. A copy of the trust document or certificate of resolution from the corporate secretary is required to open the investment.
- **Custodial Investment.** The minor (or other individual for whom the custodial relationship is established) owns the investment. Interest is reported to the IRS using the tax identification of the minor. TexasCEF may pay any sum in the investment on the order of the custodian(s) only. The investment does not automatically transfer to the minor when they reach majority. According to Texas Property Code, (Chapter 141), the custodian must request a change in ownership to transfer control of the investment.

Acceptance of Funds

TexasCEF will accept payment for the purchase of its Notes and other investments in the form of cash, personal check, cashier's check, money order, transfers by wire, EFT transfer or other similar services utilized by financial institutions.

Book Entry

A Book entry system was implemented in 2009. Investor(s) will not receive a paper certificate with an investment. Instead, an Investment Receipt, transaction receipt, and a terms and conditions brochure will be provided to the investor(s) to confirm the investment. Periodic statements will be mailed to the investor(s) reflecting the balance(s) of the note(s), including any additions, withdrawals, and interest accumulated or withdrawn.

Unclaimed Property

TexasCEF Notes may qualify as unclaimed property if they are presumed to be abandoned in accordance with applicable Texas State Statutes. To comply with unclaimed property law, TexasCEF is required to report and deliver property to the State as outlined in the State of Texas Property Code (Title Six, Chapter 72).

**CURRENT INTEREST RATES MAY BE OBTAINED BY CALLING 1-888-951-1233
OR VISITING WWW.TEXASCEF.ORG**

PLAN OF DISTRIBUTION

The primary means for offering the Notes is through promotional brochures and Offering Circulars distributed to each congregation in the Texas District and mailed directly to current investors. Promotional material is also published in regional church publications. In addition, promotional material is distributed at Texas District church conferences, conventions, retreats and seminars.

TexasCEF is also promoted by volunteer congregational representatives who are members of the congregations they serve. They may discuss the nature and purpose of the work for TexasCEF at District meetings or at congregational services or gatherings. These congregational representatives are not employees or agents of the fund and do not have the authority to make commitments for the fund and receive no compensation or commissions related to investment in the fund.

Advertising materials contain a toll-free telephone number which a prospective investor may use to call and request an Offering Circular. The TexasCEF website contains its Offering Circular, application form and promotional information for existing and prospective investors at www.TexasCEF.org. No offers to purchase will be accepted prior to the time that an investor has signed an application acknowledging receipt of an Offering Circular.

No underwriting or selling agreements exist, and no direct or indirect commissions or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Notes.

TAX ASPECTS

Investors will not receive a charitable deduction upon the purchase of a Note. The interest paid or payable on the Notes will be taxable as ordinary income to the holder in the year it is paid or credited. Thus, as to interest credited over the life of a Note, to be paid at the maturity date, all investors must report such interest as income on their Federal income tax return ratably over the life of the Note as interest is credited. Purchasers who hold Notes until their maturity will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income. Section 7872 of the Internal Revenue Code and related regulations apply to certain below market investments in excess of stated amounts, and it is recommended that you consult with your tax advisor if you have any questions concerning the applicability of Section 7872.

It is to the investor's advantage to provide a certified Taxpayer Identification ("TIN") and verify that it is correct and certify that withholding does not apply. Otherwise, TexasCEF is required by Federal law to withhold the current backup withholding percentage from any interest earned if the IRS notifies TexasCEF that the Investor's TIN is incorrect. Amounts withheld are applied to the investor's Federal tax liability, and a refund may be obtained from the IRS if withholding results in overpayment of taxes. The TexasCEF will notify investors of interest earned (totaling \$10 or more) by sending IRS Tax Form 1099-INT by January 31st of each year. TexasCEF suggests investors consult their tax advisor for the proper reporting of income earned from various church extension investments.

Neither the TexasCEF nor the District assumes any responsibility for assuring that an investor will receive a given tax result from such investments. Investors desiring a particular tax result should conduct such inquiry and take such steps as they deem necessary or appropriate to accomplish their desired result.

LITIGATION AND OTHER MATERIAL TRANSACTIONS

Litigation and Security Matters: The Texas District is from time to time involved in legal actions arising in the ordinary course of business. In the opinion of management, the Texas District has adequate legal defense or insurance coverage with respect to current actions, if any, and does not believe that any such actions will materially affect the Texas District's financial position or results of activities.

Neither the Texas District nor any of its officers have any affiliation with any building contractor who will be receiving funds for the construction of churches financed by the TexasCEF.

Legal matters relating to the evidence of indebtedness to be issued pursuant to this offering will be passed upon by the law firm of Walter C. Guebert, P. C., 12017 Rayo de Luna Ln., Austin, Texas 78732.

MANAGEMENT

The TexasCEF is maintained, supervised and administered by the Board for Church Extension (BCE) of the Texas District of The Lutheran Church—Missouri Synod. The Board for Church Extension is accountable to the Board of Directors of the Texas District of The Lutheran Church—Missouri Synod, a Texas non-profit corporation.

The nine members of the Board for Church Extension serve without compensation. They do receive, however, reimbursement for travel expenses in connection with authorized board business. A listing of the members of the Board for Church Extension and the officers of the Texas District of The Lutheran Church—Missouri Synod is contained on pages 19-21 of the Offering Circular.

TexasCEF has authorized staff of approximately 9 paid employees. This includes an Executive Director who is responsible for all of the TexasCEF's activities, a Director of Operations who prepares financial statements and supervises the general office staff, and a general office staff consisting of approximately 7 individuals. These employees received remuneration from the TexasCEF in the fiscal year ended January 31, 2021 totaling \$579,274. They also participated in the pension and health insurance plans of The Lutheran Church—Missouri Synod, to which the TexasCEF contributes in their behalf. Compensation of the Executive Director and the Director of Operations is in no way related to or contingent upon the sale of securities. There are no underwriters participating in the distribution of the securities offered hereby, and no underwriting discounts or commissions have ever been paid and none will be paid with this offering.

As terms expire or vacancies occur for members of the BCE, the remaining members shall cause the names of qualified candidates to be gathered and shall select two alternative names to be recommended to the Texas District Board of Directors for election to fill each vacancy.

OFFICERS, BOARD MEMBERS AND STAFF

TEXAS DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD - OFFICERS

<u>Name and Office</u>	<u>Occupation and Background</u>
Rev. Michael Newman President and Chairman of the Texas District Board of Directors	Pastor, age 60. Graduate of Concordia Seminary, St. Louis, MO. Served as Associate Pastor of Concordia, San Antonio, TX 2004-2008; Senior Pastor of Prince of Peace, Palatine, IL 1989-2004; Associate Pastor of Our Redeemer, Owatonna, MN, Asst. Pastor, 1987-1989. His service in the Texas District Office has included serving as Texas District Mission & Ministry Facilitator, Area C since 2008. He has been a member of the synod for 31 years and was ordained in 1987. His is a member of Shepherd of the Hills, San Antonio, TX. This congregation has loans totaling \$ \$2,062,833. This congregation also has a loan commitment of \$4.8 Million dollars.
Rev. John Davis First Vice President	Pastor, age 57. Graduate of Concordia Seminary, St. Louis, MO. Served as Associate Pastor, Memorial, Katy, TX 1993-1999; Associate Pastor, Immanuel, Giddings 1999-2002; Senior Pastor, Immanuel, Giddings 2002-2007; currently servicing as Senior Pastor of Memorial, Katy, TX (since 2008). This congregation has loans totaling \$2,257,669.
Rev. Allan Eckert Second Vice President	Pastor, age 58. Graduate of Concordia Seminary, Ft. Wayne, IN. Served as Senior Pastor, St. Paul, Kingsville 1999-2015; currently serving as Senior Pastor, Trinity, San Angelo (since 2015). This congregation does not currently have loans with TexasCEF.
Rev. Larry Krueger Third Vice President	Pastor, age 65. Graduate of Concordia Seminary in St. Louis, MO. Served as Senior Pastor, First, Tahleuah, OK 1986-1988; Associate Pastor, Redeemer, Peoria, IL 1988-1991; Senior Pastor, St. Paul, Denton, TX 1991- 1995; Senior Pastor, Grace, Midland, TX 1995-1998; Senior Pastor, University Chapel, College Station, TX 1998-2002; Assistant to LCMS President, 2002-2010; Associate Pastor, Concordia, San Antonio, TX 2011-2013; currently serving as Senior Pastor, St. Paul, Waco, TX (since 2013). This congregation does not currently have loans with TexasCEF.
Rev. Nathan Wendorf Fourth Vice President	Pastor, Age 42. Graduate of Concordia Seminary in St. Louis, MO. , Assistant Pastor Our Savior McKinney Texas, 2005-2010. Currently serves St. Paul Lutheran Church, Harlingen. This congregation has a loan commitment with Texas CEF totaling \$1,500.000.
Rev. Dr. Brian Hesse Secretary	Pastor, Age 46. Asst. Pastor, Trinity, Amarillo, 2001-2004. Currently serves as Sr. Pastor, Trinity, Amarillo, 2004-present; this congregation has one loan totaling \$315,774.
Linda Hagge Treasurer	Layperson, age 60. Currently serving the Texas District as Treasurer (CFO) (since 2009). Bachelor of Business Administration from Pacific Lutheran University; Master of Business Administration from St. Edward's University; Master of Accounting and Financial Management from DeVry University. Certified Public Accountant. She is a member of King of Kings, Round Rock, TX. This congregation does not currently have loans with Texas CEF.

MEMBERS OF THE BOARD FOR CHURCH EXTENSION

<u>Name</u>	<u>Occupation and Background</u>
Michael Abel, Chairman	Layperson, age 63. He has served the Texas District Board for Church Extension since 2012. He is a CPA with an accounting firm in Waco, Texas. Member of Trinity, Waco. This congregation has a loan for \$1,643,427. His term expires in 2022.
Kelly Biar	Layperson, Age 58 She has served the Texas District Board for Church Extension since 2019. She is a CPA that has 35+ years experience in accounting in public corporate finance and non-profit entities. Member of St. Mark, Houston. This congregation has a loan for \$8,204,167. Her term expires 2023.
Robert Balduc	Pastor, Age 54. He has served the Texas District Board for Church Extension since 2019. He graduated from Concordia Seminary in St. Louis in 2005. He currently serves as Pastor for St. Peter, Roanoke, Texas. This congregation has a loan of \$1,899,650. His term expires 2022.
Brett Bortnem	Commissioned Minister, age 40. He has served on the Texas District Board for Church Extension since 2017. He is the Executive Director for Salem Lutheran Church in Tomball, TX and is also a member of that congregation. This Congregation currently has loans totaling \$2,606,099. This congregation also has a revolving line of credit of \$1,200,000. His term expires in 2023
Dennis Huffman, Vice Chairman	Layperson age 68. He has served on the Texas District Board for Church Extension since 2016. He has a 30 plus year career in banking. Member of First Lutheran Church in Texarkana, Texas. This congregation has a loan for \$44,533. His term expires in 2023.
John Hunt	Layperson, age 59. He has served the Texas District Board for Church Extension since 2010. He is an Engineer Manager. Member of Point of Grace, Pflugerville. This congregation has loans totaling \$2,059,597. His term expires in 2022.
Ben Lutek	Layperson, Age 62. He has served the Texas District Board for Church Extension since 2018. Retired Executive VP & Chief Actuary with 30 plus years of experience in the financial services industry. Member of Genesis Lutheran Church in Buchanan Dam, Texas. This congregation does not currently have loans with Texas CEF. His term expires in 2021.
Rich Peltier	Layperson, age 60. He has served the Texas District Board for Church Extension since 2018. He has over 30 years of experience in the energy industry with BP Corporation, including positions in general management, product management, project management, and finance. Member of Gloria Dei Lutheran Church in Houston, Texas. This congregation does not currently have loans with Texas CEF. His term expires in 2021.
Alan Werchan	Layperson, age 55. Has served on the Texas Board for Church Extension since 2012. He is a CPA and a budget officer for the University of Texas System. Member of Christ, Austin, TX. This congregation has a loan of \$21,911. His term expires in 2021.

STAFF OF CHURCH EXTENSION FUND

<u>Name</u>	<u>Occupation and Background</u>
<p>Becca Jones Executive Director</p>	<p>Layperson, age 52. Graduate of Concordia Univeristy, Texas with a Master of Business Administration. Also holds a degree in management and communication from Concordia University, Wisconsin. Served The Lutheran Church—Missouri Synod since 2000, specifically with the Lutheran Church Extension Fund beginning in 2002 and as Senior Vice President from 2012 to 2018. Executive Director of the Texas District Church Extension Fund in 2018. Member of Faith Lutheran Church, Georgetown, Texas. This congregation has loans totaling \$1,367,326.</p>
<p>Pam Herber Director of Operations</p>	<p>Layperson, age 52. Graduate of Southwest Texas State University in 1991. Certified Public Accountant. Retirement Plan Administrator with EIP, Inc. from 1992-1999. Has worked at the TexasCEF since 2001, and as Director of Operations since 2008. Member of Christ, Austin, TX. This congregation has a loan of \$21,911</p>

THIS PAGE INTENTIONALLY LEFT BLANK.

TEXAS DISTRICT OF THE LUTHERAN CHURCH -
MISSOURI SYNOD
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2021, 2020 AND 2019

3508 Far West Blvd., Suite 300
Austin, Texas 78731
(512) 346-9623

3609 Williams Dr., Suite 105
Georgetown, Texas 78628
(512) 591-7441

FASKE
L A Y & C O., L. L. P.
CERTIFIED PUBLIC ACCOUNTANTS

Joseph G. Jistel, CPA
Jeffrey L. Miller, CPA
Connie B. Clark, CPA
Augustus B. Crimm, CPA

Partners Emeritus
M. Howard Faske, CPA
Benton E. Ryon, CPA
Richard R. Singhaus, CPA

To the Board of Directors of
Texas District of the Lutheran Church - Missouri Synod
Austin, Texas

We have audited the accompanying financial statements of the Texas District of the Lutheran Church - Missouri Synod (a non-profit organization), which comprise the statements of financial position as of January 31, 2021, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT - Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas District of the Lutheran Church - Missouri Synod as of January 31, 2021, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Finkley & Co., L.L.P.

Austin, Texas
May 19, 2021

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2021, 2020 and 2019

	<u>Current Fund</u>	<u>Church Extension Fund</u>	<u>Eliminations</u>
ASSETS:			
Cash and cash equivalents	\$ 5,011,241	\$ 3,536,424	
Accounts receivable	363,962	1,185	(79,075)
Interest receivable		215,267	
Prepaid expenses	209,140	1,153	
Investments	2,213,459	91,668,675	(1,653,583)
Loans receivable, net		121,216,372	
Other properties, net		32,005	
Land, buildings and equipment, net	1,289,700	92,036	
Beneficial interest in split interest agreements	92,706	515,572	
Interest in perpetual funds held by others	4,140,963	677,084	
Beneficial interest in assets held by others	3,191,014		
	<u>\$ 16,512,185</u>	<u>\$ 217,955,773</u>	<u>\$ (1,732,658)</u>
LIABILITIES:			
Accounts payable	\$ 198,958	\$ 725,156	\$ (79,075)
Interest payable		177,620	
Savings stamps payable		257,430	
Deferred revenue and other liabilities	293,762		
Payable to investors		168,688,637	(1,653,583)
Note Payable	849,307		
	<u>1,342,027</u>	<u>169,848,843</u>	<u>(1,732,658)</u>
NET ASSETS:			
Without donor restrictions:			
Undesignated	2,409,529	46,914,274	
Plant Fund designated	1,297,260		
Board designated	3,110,845		
	<u>6,817,634</u>	<u>46,914,274</u>	
With donor restrictions:			
Time and purpose restrictions	4,782,082	1,192,656	
Perpetual in nature	3,570,442		
	<u>8,352,524</u>	<u>1,192,656</u>	
Total net assets	<u>15,170,158</u>	<u>48,106,930</u>	
Total liabilities and net assets	<u>\$ 16,512,185</u>	<u>\$ 217,955,773</u>	<u>\$ (1,732,658)</u>

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

Totals		
<u>January 31, 2021</u>	<u>January 31, 2020</u>	<u>January 31, 2019</u>
\$ 8,547,665	\$ 22,040,795	\$ 9,585,454
286,072	33,270	38,036
215,267	264,202	247,671
210,293	260,791	309,905
92,228,551	52,861,082	53,683,238
121,216,372	126,176,163	128,504,821
32,005	32,005	32,005
1,381,736	1,613,216	1,700,670
608,278	2,393,795	2,236,345
4,818,047	2,287,144	2,289,622
3,191,014	2,914,104	2,750,298
<u>\$ 232,735,300</u>	<u>\$ 210,876,567</u>	<u>\$ 201,378,065</u>
\$ 845,039	\$ 827,391	\$ 812,509
177,620	181,537	181,131
257,430	258,561	259,157
293,762	237,169	226,191
167,035,054	152,853,098	144,975,880
849,307		
<u>169,458,212</u>	<u>154,357,756</u>	<u>146,454,868</u>
49,323,803	44,462,085	42,790,980
1,297,260	1,587,602	1,660,160
3,110,845	1,807,099	1,847,428
<u>53,731,908</u>	<u>47,856,786</u>	<u>46,298,568</u>
5,974,738	5,397,168	5,521,155
3,570,442	3,264,857	3,103,474
<u>9,545,180</u>	<u>8,662,025</u>	<u>8,624,629</u>
<u>63,277,088</u>	<u>56,518,811</u>	<u>54,923,197</u>
<u>\$ 232,735,300</u>	<u>\$ 210,876,567</u>	<u>\$ 201,378,065</u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2021

	Without Donor Restrictions		
	Current Fund	Church Extension Fund	With Donor Restrictions
SUPPORT, REVENUE AND OTHER ADDITIONS:			
District congregations	\$ 5,667,468		
Gifts and grants	610,042	384,825	219,889
Interest and fees on loans		3,942,420	
Investment income, net	52,435	4,704,009	1,719
Change in value of beneficial funds			1,181,501
Development income	345,994		
Conference fees, school assessment and other board designated income	262,611		
Lutheran Witness	124,247		
Gain on sale of property and equipment	652,817		
Other	164,781	111,887	
Total support, revenue and other additions	7,880,395	9,143,141	1,403,109
EXPENDITURES AND OTHER DEDUCTIONS:			
Program services:			
Mission and ministry programs	3,831,926		
Education	402,780		
Church Extension Fund		4,943,291	
	4,234,706	4,943,291	
Supporting services:			
Management and general	1,144,567		
Development	104,743		
Unallocated payments to Synod	1,241,061		
Total expenditures and other deductions	6,725,077	4,943,291	
Change in net assets	1,155,318	4,199,850	1,403,109
Net assets - beginning of year	5,170,157	42,686,629	8,662,025
Net assets released from restrictions	492,159	27,795	(519,954)
Net assets - end of year	\$ 6,817,634	\$ 46,914,274	\$ 9,545,180

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

<u>Eliminations</u>	<u>Total</u>
	\$ 5,667,468
	1,214,756
	3,942,420
(18,646)	4,739,517
	1,181,501
(83,360)	262,634
	262,611
	124,247
	652,817
	<u>276,668</u>
<u>(102,006)</u>	<u>18,324,639</u>
	3,831,926
	402,780
<u>(102,006)</u>	<u>4,841,285</u>
<u>(102,006)</u>	<u>9,075,991</u>
	1,144,567
	104,743
	<u>1,241,061</u>
<u>(102,006)</u>	<u>11,566,362</u>
	6,758,277
	56,518,811
	<u>63,277,088</u>
	<u><u>\$ 63,277,088</u></u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2020

	Without Donor Restrictions		With Donor Restrictions
	Current Fund	Church Extension Fund	
SUPPORT, REVENUE AND OTHER ADDITIONS:			
District congregations	\$ 5,665,928		
Gifts and grants		101,477	339,320
Interest and fees on loans		3,926,495	
Investment income, net	48,650	2,126,350	1,802
Change in value of beneficial funds			463,631
Development income	386,003		
Conference fees, school assessment and other board designated income	436,346		
Lutheran Witness	131,506		
Other	213,560	69,787	
Total support, revenue and other additions	<u>6,881,993</u>	<u>6,224,109</u>	<u>804,753</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Program services:			
Mission and ministry programs	3,974,212		
Education	426,772		
Church Extension Fund		5,108,286	
	<u>4,400,984</u>	<u>5,108,286</u>	
Supporting Services:			
Management and general	1,394,206		
Development	128,765		
Unallocated payments to Synod	1,283,000		
Total expenditures and other deductions	<u>7,206,955</u>	<u>5,108,286</u>	
Change in net assets	(324,962)	1,115,823	804,753
Net assets - beginning of year	4,757,770	41,540,798	8,624,629
Net assets released from restrictions	737,349	30,008	(767,357)
Net assets - end of year	<u>\$ 5,170,157</u>	<u>\$ 42,686,629</u>	<u>\$ 8,662,025</u>

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

<u>Eliminations</u>	<u>Total</u>
	\$ 5,665,928
	440,797
	3,926,495
(15,296)	2,161,506
	463,631
(117,000)	269,003
	436,346
	131,506
(9,027)	<u>274,320</u>
<u>(141,323)</u>	<u>13,769,532</u>
	3,974,212
	426,772
(132,296)	<u>4,975,990</u>
<u>(132,296)</u>	<u>9,376,974</u>
	1,385,179
(9,027)	128,765
	<u>1,283,000</u>
<u>(141,323)</u>	<u>12,173,918</u>
	1,595,614
	54,923,197
	<u>56,518,811</u>
	<u><u>\$ 56,518,811</u></u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2019

	Without Donor Restrictions		With Donor Restrictions
	Current Fund	Church Extension Fund	
SUPPORT, REVENUE AND OTHER ADDITIONS:			
District congregations	\$ 5,557,709		
Gifts and grants	600	279,676	1,273,791
Interest and fees on loans		3,623,540	
Investment income, net	8,152	1,325,660	2,733
Change in value of beneficial funds			22,055
Development income	282,261		
Conference fees, school assessment and other board designated income	419,969		
Lutheran Witness	133,361		
Other	199,535	193,624	
Total support, revenue and other additions	<u>6,601,587</u>	<u>5,422,500</u>	<u>1,298,579</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Program services:			
Mission and ministry programs	4,807,435		
Education	387,983		
Church Extension Fund		4,745,890	
	<u>5,195,418</u>	<u>4,745,890</u>	
Supporting services:			
Management and general	1,286,143		
Development	166,874		
Unallocated payments to Synod	1,257,985		
Total expenditures and other deductions	<u>7,906,420</u>	<u>4,745,890</u>	
Change in net assets	(1,304,833)	676,610	1,298,579
Net assets - beginning of year	5,177,085	40,831,770	8,243,986
Net assets released from restrictions	885,518	32,418	(917,936)
Net assets - end of year	<u>\$ 4,757,770</u>	<u>\$ 41,540,798</u>	<u>\$ 8,624,629</u>

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

<u>Eliminations</u>	<u>Total</u>
	\$ 5,557,709
	1,554,067
	3,623,540
(17,097)	1,319,448
	22,055
(99,230)	183,031
	419,969
	133,361
	393,159
<u>(116,327)</u>	<u>13,206,339</u>
	4,807,435
	387,983
<u>(72,197)</u>	<u>4,673,693</u>
(72,197)	9,869,111
(44,130)	1,242,013
	166,874
	1,257,985
<u>(116,327)</u>	<u>12,535,983</u>
	670,356
	54,252,841
	<u><u>\$ 54,923,197</u></u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2021

	Program Services			Total
	Missions and Ministry	Education	Church Extension Fund	
Synod support				
Grants and mission funding	2,383,380		83,360	2,466,740
Disaster relief	339,669			339,669
Salaries and wages	646,350	214,624	620,208	1,481,182
Employee benefits and payroll taxes	97,583	48,197	186,494	332,274
Professional services	49,793	35,292	8,685	93,770
Accounting fees			20,000	20,000
Legal fees			4,076	4,076
Promotion, public relations and hospitality	116,268		35,200	151,468
Office expenses	9,027	8,312	79,331	96,670
Information technology	8,173	2,814	175,383	186,370
Occupancy		2,976	18,222	21,198
Travel and auto operation	19,885	7,682	8,892	36,459
Conferences and meetings	27,987	73,482	24,239	125,708
Insurance	48,092		1,529	49,621
Training and development	6,827		14,785	21,612
Board and committee expense	8,867		605	9,472
Interest expense			3,572,454	3,572,454
Provision for loan losses			45,000	45,000
Other property expense	1,845			1,845
Depreciation and amortization	65,155	9,371	18,217	92,743
Other	3,025	30	26,611	29,666
	<u>3,831,926</u>	<u>402,780</u>	<u>4,943,291</u>	<u>9,177,997</u>
Total	<u>\$ 3,831,926</u>	<u>\$ 402,780</u>	<u>\$ 4,943,291</u>	<u>\$ 9,177,997</u>

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

Supporting Services			
Management and General	Development	Unallocated Payments to Synod	Total
		\$ 1,241,061	\$ 1,241,061
			2,466,740
			339,669
576,185	72,803		2,130,170
197,039	23,383		552,696
26,050			119,820
20,000			40,000
9,550			13,626
9,795	4,000		165,263
102,353	2,781		201,804
56,836	1,461		244,667
34,222			55,420
13,069			49,528
2,555			128,263
6,507			56,128
8,731			30,343
273			9,745
			3,572,454
			45,000
35,000			36,845
35,782			128,525
10,620	315		40,601
<u>\$ 1,144,567</u>	<u>\$ 104,743</u>	<u>\$ 1,241,061</u>	<u>\$ 11,668,368</u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2020

	Program Services			Total
	Missions and Ministry	Education	Church Extension Fund	
Synod support				
Grants and mission funding	2,235,996		124,065	2,360,061
Disaster relief	346,759			346,759
Salaries and wages	626,188	210,005	596,630	1,432,823
Employee benefits and payroll taxes	85,062	45,803	187,520	318,385
Professional services	63,801	42,106	11,035	116,942
Accounting fees	133		22,471	22,604
Legal fees			3,704	3,704
Promotion, public relations and hospitality	130,805		44,271	175,076
Office expenses	8,021	8,221	59,628	75,870
Information technology	9,118	2,873	200,390	212,381
Occupancy		5,251	36,094	41,345
Travel and auto operation	64,243	15,505	31,977	111,725
Conferences and meetings	149,845	80,751	153,665	384,261
Insurance	77,642		2,548	80,190
Training and development	24,245	250	19,110	43,605
Board and committee expense	24,302	6,592	7,757	38,651
Interest expense			3,542,781	3,542,781
Provision for loan losses			45,000	45,000
Other property expense	24,501			24,501
Depreciation and amortization	96,117	9,374	6,006	111,497
Other	7,434	41	13,634	21,109
Total	<u>\$ 3,974,212</u>	<u>\$ 426,772</u>	<u>\$ 5,108,286</u>	<u>\$ 9,509,270</u>

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

Supporting Services			
<u>Management and General</u>	<u>Development</u>	<u>Unallocated Payments to Synod</u>	<u>Total</u>
		\$ 1,283,000	\$ 1,283,000
			2,360,061
			346,759
582,259	100,940		2,116,022
179,919	3,017		501,321
10,882			127,824
24,784			47,388
7,229			10,933
4,073	12,788		191,937
70,949	4,333		151,152
60,623	789		273,793
60,385			101,730
48,054	2,086		161,865
235,456	499		620,216
6,700			86,890
14,835			58,440
18,842			57,493
			3,542,781
			45,000
19,970			44,471
37,773	4,199		153,469
11,473	114		32,696
<u>\$ 1,394,206</u>	<u>\$ 128,765</u>	<u>\$ 1,283,000</u>	<u>\$ 12,315,241</u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2019

	Program Services			Total
	Missions and Ministry	Education	Church Extension Fund	
Synod support				
Grants and mission funding	2,716,435		62,638	2,779,073
Disaster relief	602,813			602,813
Salaries and wages	589,888	205,118	767,188	1,562,194
Employee benefits and payroll taxes	122,400	46,739	214,302	383,441
Professional services	64,561	39,842	9,020	113,423
Accounting fees			19,842	19,842
Legal fees			3,836	3,836
Promotion, public relations and hospitality	139,870		77,643	217,513
Office expenses	10,127	7,311	66,697	84,135
Information technology	10,906	3,615	184,731	199,252
Occupancy		5,922	25,452	31,374
Travel and auto operation	82,824	22,504	32,292	137,620
Conferences and meetings	222,255	41,261	181,226	444,742
Insurance	82,709		3,581	86,290
Training and development	10,110	652	13,816	24,578
Board and committee expense	34,768	4,658	10,637	50,063
Interest expense			3,132,340	3,132,340
Provision for loan losses			90,000	90,000
Provision (credit) for devaluation of other properties			(200,000)	(200,000)
Other property expense	24,549			24,549
Depreciation and amortization	90,035	10,229	6,421	106,685
Other	3,185	132	44,228	47,545
Total	<u>\$ 4,807,435</u>	<u>\$ 387,983</u>	<u>\$ 4,745,890</u>	<u>\$ 9,941,308</u>

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

Supporting Services			
<u>Management and General</u>	<u>Development</u>	<u>Unallocated Payments to Synod</u>	<u>Total</u>
		\$ 1,257,985	\$ 1,257,985
			2,779,073
			602,813
577,471	91,821		2,231,486
173,615	26,800		583,856
3,650			117,073
20,782			40,624
6,179			10,015
16,306	4,939		238,758
80,088	4,694		168,917
39,220	1,433		239,905
68,106			99,480
58,483	13,103		209,206
141,031	217		585,990
8,433			94,723
9,662			34,240
20,175			70,238
			3,132,340
			90,000
			(200,000)
212			24,761
55,170	8,398		170,253
7,560	15,469		70,574
<u>\$ 1,286,143</u>	<u>\$ 166,874</u>	<u>\$ 1,257,985</u>	<u>\$ 12,652,310</u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2021, 2020 AND 2019

	Current Fund	Church Extension Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,408,902	\$ 4,349,375
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	110,308	18,217
Provision (credit) for loan losses		45,000
Provision (credit) for devaluation of other properties		
Realized and unrealized (gain) loss on investments	(34,376)	(3,069,306)
(Gain) loss on sale of property and equipment	(652,817)	
(Gain) loss on property and equipment retirements		
Change in value of beneficial interest	(900,566)	(121,730)
(Increase) decrease in assets:		
Accounts receivable	(250,906)	458
Interest receivable		48,935
Prepaid expenses	(3,098)	53,596
Increase (decrease) in liabilities:		
Accounts payable	(1,601)	16,895
Savings stamps payable		(1,131)
Interest payable		(3,917)
Deferred revenue and other liabilities	56,593	
Net cash provided by (used in) operating activities	732,439	1,336,392
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(8,067)	(96,579)
Proceeds from sale of property and equipment	860,418	
Proceeds from sale or maturity of investments	508,241	92,213,607
Purchase of investments	(1,098,452)	(128,419,661)
Change in loans receivable		4,914,791
Net cash provided by (used in) investing activities	262,140	(31,387,842)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	849,307	
Change in payables to investors		14,714,434
Net cash provided by (used in) financing activities	849,307	14,714,434
Net increase (decrease) in cash and cash equivalents	1,843,886	(15,337,016)
Cash and cash equivalents -		
Beginning of year	3,167,355	18,873,440
End of year	\$ 5,011,241	\$ 3,536,424

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

<u>Eliminations</u>	<u>Totals</u>		
	<u>January 31, 2021</u>	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$ 6,758,277	\$ 1,595,614	\$ 670,356
	128,525	153,478	170,253
	45,000	45,000	90,000
	(3,103,682)	(700,635)	(200,000)
	(652,817)		(36,611)
		19,970	1,309
	(1,022,296)	(318,778)	(371,668)
(2,354)	(252,802)	4,766	21,460
	48,935	(16,531)	(34,187)
	50,498	49,114	(10,240)
2,354	17,648	14,882	(18,576)
	(1,131)	(596)	2,586
	(3,917)	406	43,926
	56,593	10,978	87,475
	<u>2,068,831</u>	<u>857,668</u>	<u>416,083</u>
	(104,646)	(85,994)	(78,629)
	860,418		
(401,004)	92,320,844	2,539,212	11,345,843
933,482	(128,584,631)	(855,157)	(821,745)
	4,914,791	2,283,658	(12,803,884)
<u>532,478</u>	<u>(30,593,224)</u>	<u>3,881,719</u>	<u>(2,358,415)</u>
	849,307		
(532,478)	14,181,956	7,715,954	5,641,146
(532,478)	15,031,263	7,715,954	5,641,146
	(13,493,130)	12,455,341	3,698,814
	22,040,795	9,585,454	5,886,640
	<u>\$ 8,547,665</u>	<u>\$ 22,040,795</u>	<u>\$ 9,585,454</u>

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

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021, 2020 AND 2019

NOTE 1. SUMMARY OF THE ORGANIZATION

The Texas District of the Lutheran Church - Missouri Synod (the District), encompassing 347, 346 and 347 congregations in Texas, at January 31, 2021, 2020 and 2019, respectively, is one of the geographic Districts of The Lutheran Church - Missouri Synod. The mission of the District is to strengthen congregations, reach the lost, disciple the saved and care for people locally and globally. The District is a not-for-profit corporation. The Current Fund of the District relies on donations from congregations for most of its operating income. These donations are subject to fluctuations in the economic status of the areas in which the congregations are located. No provisions have been made for changes in the economic environment. Additionally, the Church Extension Fund of the District provides loan funding for member congregations to acquire and/or expand church assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP), and represent the financial operations of the District including administration of the Church Extension Fund. Operations of associated entities are not included. Financial statements prepared in conformity with GAAP require the use of management estimates. Actual results could differ from those estimates. The significant accounting policies followed by the District are described below to enhance the usefulness of the financial statements to the reader.

- a. Net assets, revenues and expenses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated from net assets without donor restrictions, net assets for program services.

Net assets with donor restrictions - Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

- b. To ensure observance of limitations and restrictions placed on the use of the resources available to the District, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. All significant intercompany account balances and transactions between funds have been eliminated.

All gains and losses arising from the sale, collection or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds which is accounted for in the fund to which it is restricted, or if without donor restriction, as revenues in the current fund.

All other revenue without donor restrictions is accounted for in the current fund. Restricted gifts, grants, and other restricted resources are accounted for in the appropriate restricted fund. Current restricted funds are reported when revenues are received and expenditures are incurred for current operating purposes.

Use of operating funds for plant acquisitions and debt service payments are accounted for as transfers to the Plant Fund.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. The Revenue from Contracts with Customers Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this revenue recognition guidance. The District's revenue is primarily comprised of contributions, interest and fees from loans and investment income, which are excluded from the scope of this guidance.

Income sources within the scope of this guidance include Lutheran Witness, conference fees, school assessments and other income. These income sources are recognized as the performance obligations are met at a point-in-time or over time, which are completed in one year or less.

- d. Contributions are recognized as revenue when contributions are received or unconditional promises to give are made. Unconditional pledges, which are not legally enforceable, are given by congregations to the District and are not recognized as contributions until received.

The District reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Interest income on loans receivable is recorded on an accrual basis. If any fee income is received from loans it is recognized when received.

- e. Cash and cash equivalents include currency and investments with an original maturity of three months or less. Included in cash and cash equivalents is \$927,840, \$1,032,043 and \$1,315,127 for restricted purposes as of January 31, 2021, 2020 and 2019, respectively. Included in cash and cash equivalents and investments is \$3,110,845, \$1,807,099 and \$1,847,428 for board designated purposes as of January 31, 2021, 2020 and 2019, respectively.
- f. Investments are reported at their fair values on the balance sheet. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. Changes in fair value are reported as investment income in the statement of activities.
- g. Loans that management has the ability and intent to hold to maturity are stated at the amount of unpaid principal, less the allowance for loan losses. Interest is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Past due status is based on contractual terms of the loan.

Loans are considered impaired when there is a deterioration of the credit worthiness of the borrower to the extent that there is no longer reasonable assurance of timely collection of full principal and interest due according to the contractual terms of the loan agreement. Indications of this deterioration include borrowers with payments ninety days or more past due, borrowers that are permitted to make payments less than the full amount specified in their loan agreements, borrowers with loans that have been restructured (for the first twenty-four months following the restructure) and borrowers that have not demonstrated the ability to make payments out of recurring sources of income.

When a loan becomes impaired an evaluation of the collateral is made. If the collateral is not sufficient to repay the entire debt the amount of debt in excess of the collateral value is charged to the allowance for loan losses. When property is acquired in satisfaction of a loan an appraisal is obtained. Any loan amount in excess of the appraised value is charged to the allowance for loan losses and the property is transferred to other properties.

The District recognizes interest income on impaired loans using the accrual method except for loans that have payments ninety days or more past due. Interest income on these loans is recognized as it is collected in cash.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- h. The provision for loan losses charged to operating expense reflects the amount deemed appropriate by management to establish an adequate reserve to meet the present and foreseeable risk characteristics of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's evaluation of individual loans, past experiences with losses, the impact of economic conditions on borrowers, specific impaired loans and other relevant factors.
- i. Real estate acquired through or in lieu of loan foreclosure is initially recorded at the lower of the Church Extension Fund's carrying amount or fair value less estimated selling costs at the date of foreclosure. The real estate is included in real estate and other properties.
- j. The District reports the fair value of its beneficial interest in assets held by others, split interest agreements and perpetual funds in the statement of financial position, which are recognized as assets and contributions when established. Beneficial interest in these assets is remeasured at the end of each fiscal year using updated life expectancies, interest rates and estimated cash flows to estimate fair value.
- k. Land, buildings and equipment are generally recorded at cost, except for property received by gift which is recorded at fair value on the date of receipt.

Depreciation on plant assets (buildings and equipment) is calculated on a straight-line basis over the estimated useful lives of the respective assets.

- l. Substantially all of the assets shown in the financial statements, except for land, buildings and equipment, approximate fair value. Financial liabilities are recorded at cost which approximates fair value.
- m. The costs of providing various programs and management and general support have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses are allocated between programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits and payroll taxes, office expenses, information technology, conferences, conventions and meetings, insurance, and other, which are allocated on the basis of estimates of time and effort. Program related expenses directly attributable to a specific functional area are reported as expenses of those functional areas.
- n. In May 2014, the FASB issued a new accounting pronouncement regarding revenue from contracts with customers which became effective for reporting periods beginning after December 15, 2018. The guidance governs revenue recognition from contracts with customers. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new guidance. The adoption of this guidance did not impact the District's financial condition or its results of operations but did require new and enhanced disclosures.

In January 2016, the FASB issued a new accounting pronouncement regarding recognition and measurement of financial assets and financial liabilities effective for reporting periods beginning after December 15, 2018. FASB also issued subsequent pronouncements with technical corrections and improvements. The adoption of this guidance did not impact the District's financial condition or its results of operations but did revise selected disclosures.

In June 2016, the FASB issued a new accounting pronouncement regarding measurement of credit losses on the financial instruments effective for reporting periods beginning after December 15, 2022. Management is currently evaluating the effect the pronouncement will have on its financial statements.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 3. LIQUIDITY AND AVAILABILITY

The following represents the Current Fund's financial assets at:

	January 31,		
	2021	2020	2019
Financial assets at year end:			
Cash and cash equivalents	\$ 5,011,241	\$ 3,167,355	\$ 2,858,105
Investments	2,213,459	1,588,872	1,626,785
Accounts receivable	363,962	113,056	118,829
Prepaid expenses	209,140	206,042	238,664
	<u>7,797,802</u>	<u>5,075,325</u>	<u>4,842,383</u>
Less amounts not available for general expenditure within one year:			
Board designated and donor restricted net assets	4,038,686	2,771,161	3,094,573
Less net assets with purpose restrictions to be met in less than a year	(500,427)	(305,160)	(524,236)
Less board designated net assets to be used in less than a year	(158,710)	(105,729)	(114,738)
	<u>3,379,549</u>	<u>2,360,272</u>	<u>2,455,599</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,418,253</u>	<u>\$ 2,715,053</u>	<u>\$ 2,386,784</u>

The Current Fund is highly dependent upon the receipts from member congregations and individual donors to meet budgeted expenses during the fiscal year. The District receives pledges from member congregations which help to establish the budget for the upcoming year. The Current Fund is also dependent on convention/conference attendees and congregations to cover the cost of these events.

The following represents the Church Extension Fund's financial assets at:

	January 31,		
	2021	2020	2019
Financial assets at year end:			
Cash and cash equivalents	\$ 3,536,424	\$ 18,873,440	\$ 6,727,349
Investments	91,668,675	52,393,315	53,254,157
Investment interest receivable	22,101	69,257	67,217
Loan interest receivable	193,166	194,945	180,454
	<u>95,420,366</u>	<u>71,530,957</u>	<u>60,229,177</u>
Less amounts not available for general expenditure within one year:			
15% of payable to investors	25,303,296	23,096,130	21,926,037
Loan commitments	17,469,599	16,903,213	12,382,838
	<u>42,772,895</u>	<u>39,999,343</u>	<u>34,308,875</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 52,647,471</u>	<u>\$ 31,531,614</u>	<u>\$ 25,920,302</u>

The Church Extension Fund's goal is to have annual expenditures be less than 1% of average total assets, approximately \$2 million as of January 31, 2021. The Church Extension Fund is required to maintain 15% liquidity of investor payables by its financial standards.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
 NOTES TO FINANCIAL STATEMENTS - Continued
 JANUARY 31, 2021, 2020 AND 2019

NOTE 4. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy under the standard are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable either directly or indirectly; or

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the assets and liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The District used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the financial statements. There were no changes to the methods.

Investments: The valuation of the mutual funds and stocks fall into the Level 1 category of the fair value hierarchy because they are measured using readily marketable securities with quoted prices on nationally recognized securities exchanges. The valuation of time deposits fall into the Level 1 category of the fair value hierarchy because it is measured using approximated costs. The valuation of corporate fixed income and government securities fall into Level 2 because they are measured using the appropriate discount rate of the future value of the bond's coupon payments. The valuation of alternative investments fall into level 3 because it is measured using unobservable estimated market values of the underlying investments.

Beneficial interest in split interest agreements: The valuation of the beneficial interest falls into the Level 3 category of the fair value hierarchy because it is measured using a mix of observable interest rate assumptions and unobservable cash flow estimates.

Interest in perpetual funds held by others: The valuation of the interest falls into the Level 3 category of the fair value hierarchy because it is measured using a mix of observable interest rate and discount rate assumptions and unobservable cash flow estimates.

Beneficial interest in assets held by others: Assets are reported at fair value utilizing Level 3 inputs as the fair value of these assets held at the Foundation have been valued, as a practical expedient, at the fair value of the District's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the Foundation.

The following tables set forth, by level within the fair value hierarchy, the District's assets and liabilities measured at fair value on a recurring basis as of:

	Level 1	Level 2	Level 3	Total
<u>January 31, 2021</u>				
Investments				
Mutual funds	\$ 68,660,428			\$ 68,660,428
Corporate fixed income		6,958,738		6,958,738
Government securities		1,935,237		1,935,237
Stocks	350,794			350,794
Time deposits	12,199,634			12,199,634
Alternative investments			2,123,720	2,123,720
	<u>\$ 81,210,856</u>	<u>\$ 8,893,975</u>	<u>\$ 2,123,720</u>	<u>\$ 92,228,551</u>
Beneficial interest in split interest agreements			\$ 608,278	\$ 608,278
Interest in perpetual funds held by others			\$ 4,818,047	\$ 4,818,047
Beneficial interest in assets held by others			\$ 3,191,014	\$ 3,191,014

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 4. FAIR VALUE MEASUREMENTS - Continued

	Level 1	Level 2	Level 3	Total
<u>January 31, 2020</u>				
Investments				
Mutual funds	\$ 19,469,743			\$ 19,469,743
Time deposits	33,391,339			33,391,339
	<u>\$ 52,861,082</u>			<u>\$ 52,861,082</u>
Beneficial interest in split interest agreements			<u>\$ 2,393,795</u>	<u>\$ 2,393,795</u>
Interest in perpetual funds held by others			<u>\$ 2,287,144</u>	<u>\$ 2,287,144</u>
Beneficial interest in assets held by others			<u>\$ 2,914,104</u>	<u>\$ 2,914,104</u>
<u>January 31, 2019</u>				
Investments				
Mutual funds	\$ 20,330,585			\$ 20,330,585
Time deposits	33,352,653			33,352,653
	<u>\$ 53,683,238</u>			<u>\$ 53,683,238</u>
Beneficial interest in split interest agreements			<u>\$ 2,236,345</u>	<u>\$ 2,236,345</u>
Interest in perpetual funds held by others			<u>\$ 2,289,622</u>	<u>\$ 2,289,622</u>
Beneficial interest in assets held by others			<u>\$ 2,750,298</u>	<u>\$ 2,750,298</u>

The District's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, 2 or 3 for the years ended January 31, 2021, 2020 and 2019. See Notes 9, 10 and 11 for a roll forward of activity for assets measured at fair value using significant unobservable inputs (Level 3) for the years ended January 31, 2021, 2020 and 2019.

NOTE 5. INVESTMENTS

Investment income for the years ended is as follows:

	January 31,		
	2021	2020	2019
Unrealized gain	\$ 2,208,984	\$ 645,301	\$ 291,395
Realized gain (loss)	894,698	55,334	(254,784)
Dividends	858,478	653,637	505,450
Interest	725,900	811,446	781,286
Other income	216,223		
Fees	(164,766)	(4,212)	(3,899)
	<u>\$ 4,739,517</u>	<u>\$ 2,161,506</u>	<u>\$ 1,319,448</u>

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
 NOTES TO FINANCIAL STATEMENTS - Continued
 JANUARY 31, 2021, 2020 AND 2019

NOTE 6. CHURCH EXTENSION FUND - LOANS RECEIVABLE

Major classifications of loans are as follows:

	January 31,		
	2021	2020	2019
Secured by real estate	\$ 122,065,380	\$ 126,577,295	\$ 128,785,580
Unsecured	449,327	852,203	927,576
	<u>122,514,707</u>	<u>127,429,498</u>	<u>129,713,156</u>
Allowance for loan losses	<u>(1,298,335)</u>	<u>(1,253,335)</u>	<u>(1,208,335)</u>
Loans receivable, net	<u>\$ 121,216,372</u>	<u>\$ 126,176,163</u>	<u>\$ 128,504,821</u>

An analysis of the allowance for loan losses for the years ended is as follows:

	January 31,		
	2021	2020	2019
Balance, beginning of the year	\$ 1,253,335	\$ 1,208,335	\$ 1,118,335
Losses charged to allowance			
Recoveries			
Provision charged to operating expense	45,000	45,000	90,000
Balance, end of year	<u>\$ 1,298,335</u>	<u>\$ 1,253,335</u>	<u>\$ 1,208,335</u>

An analysis of impaired loans for the years ended is as follows:

	January 31,		
	2021	2020	2019
Impaired loans without a specific allowance		\$ 3,897,609	\$ 4,080,342
Impaired loans with a specific allowance			
Total recorded investment in impaired loans		<u>\$ 3,897,609</u>	<u>\$ 4,080,342</u>
Total allowance on impaired loans			

Church Extension Fund loans receivable consists of loans and receivables with various maturity dates and with interest rates ranging from 1.0% to 7.0%, 2.25% to 7.0% and 2.25% to 7.0%, respectively with an average rate of approximately 3.29%, 3.0% and 3.0% as of January 31, 2021, 2020 and 2019.

In accordance with the Church Extension Fund's policy, titles and deeds of trust to church properties are held by the Church Extension Fund until the related indebtedness has been satisfied by the respective congregation.

The total recorded investment in loans on nonaccrual status as of January 31, 2021, 2020 and 2019, is \$0, \$0 and \$38,829, respectively.

Unexpended loan commitments as of January 31, 2021, 2020 and 2019, are \$17,469,599, \$16,903,213 and \$12,382,838, respectively. The Church Extension Fund is not committed to lend additional funds to debtors whose loans have been modified.

The Church Extension Fund worked with borrowers impacted by COVID-19 and provided deferment of interest only or principal and interest payments. As of January 31, 2021, all loans have returned to payments based on the terms of the loan.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
 NOTES TO FINANCIAL STATEMENTS - Continued
 JANUARY 31, 2021, 2020 AND 2019

NOTE 7. OTHER PROPERTIES

Other properties are recorded at the lower of cost or estimated fair value. Other properties, net of allowance for devaluation, are as follows:

	January 31,		
	2021	2020	2019
Other properties	\$ 32,005	\$ 32,005	\$ 32,005
Allowance for devaluation of other properties			
Net other properties	<u>\$ 32,005</u>	<u>\$ 32,005</u>	<u>\$ 32,005</u>

NOTE 8. LAND, BUILDINGS AND EQUIPMENT

Equipment and the related accumulated depreciation and amortization included in the Church Extension Fund are as follows:

	January 31,		
	2021	2020	2019
Equipment	\$ 113,097	\$ 101,363	\$ 101,491
Conversion cost	86,612	3,655	
Accumulated depreciation and amortization	<u>(107,673)</u>	<u>(91,344)</u>	<u>(92,677)</u>
	<u>\$ 92,036</u>	<u>\$ 13,674</u>	<u>\$ 8,814</u>

Land, buildings and equipment and the related accumulated depreciation, and loans payable included in the Plant Fund are as follows:

Asset	Cost	Accumulated Depreciation	Loans and Interest Payable	Net Investment in Plant Fund		
				January 31,		
				2021	2020	2019
Office building	\$ 1,171,168	\$ 875,189		\$ 295,979	\$ 320,676	\$ 346,401
Campus Centers:						
Arlington					18,472	19,663
Austin	855,354	95,580		759,774	783,669	807,564
College Station	132,030	104,148		27,882	28,618	29,354
Lubbock	111,123	92,373		18,750	18,750	18,750
Equipment	103,169	83,697		19,472	28,922	24,252
Autos	111,053	77,200	(7,560)	41,413	55,209	63,267
Other:						
Upbring	1			1	1	1
Legacy Deo	1			1	1	1
SA, Abun. Grace	100,000	74,000		26,000	26,000	26,000
Houston, Mis.	304,523	199,035		105,488	128,784	138,407
Houston, Sherman					176,000	184,000
Harlingen	7,708	5,208		2,500	2,500	2,500
Total	<u>\$ 2,896,130</u>	<u>\$ 1,606,430</u>	<u>\$ (7,560)</u>	<u>\$ 1,297,260</u>	<u>\$ 1,587,602</u>	<u>\$ 1,660,160</u>

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 9. BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS

The District's split interest agreements consist primarily of irrevocable charitable remainder trusts for which the assets are held by The Lutheran Foundation of Texas, dba Legacy Deo (the Foundation). Maturities of these trusts are based on the life expectancy of income beneficiaries or passage of time or specified purpose. The District's beneficial interest in these agreements is reported at fair value, which is measured as the net present value of the payments expected to be received at termination of the trusts. The fair value is measured using updated life expectancies, interest rates, and estimated cash flows to estimate fair value of the beneficial interest. At January 31, 2021, 2020 and 2019, the interest rate assumption used was 2.5%, 3.0% and 3.0%, respectively. Changes in these assets are as follows for the years ended:

	January 31,		
	2021	2020	2019
Balance, beginning of the year	\$ 2,393,795	\$ 2,236,345	\$ 1,958,045
Contributions	2,950	36,358	364,727
Gain (loss)	(163,100)	142,388	(61,522)
Distributions	<u>(1,625,367)</u>	<u>(21,296)</u>	<u>(24,905)</u>
Balance, end of year	<u>\$ 608,278</u>	<u>\$ 2,393,795</u>	<u>\$ 2,236,345</u>

NOTE 10. INTEREST IN PERPETUAL FUNDS HELD BY OTHERS

The District is a beneficiary of certain perpetual funds held and administered by the Foundation. The interest in these perpetual funds is reported at fair value, which is measured as the net present value of the annual payments expected to be received. The fair value is measured using interest rates and estimated cash flows to estimate fair value of the District's interest in these funds. At January 31, 2021, 2020 and 2019, the assumptions used were an earnings rate of 2.5%, 3.0% and 3.0%, respectively with a discount rate of 5.5%, 6.5% and 6.5%, respectively. The beneficial interest is recognized as an asset and as contribution revenue at the date such funds are established. Changes in these assets are as follows for the years ended:

	January 31,		
	2021	2020	2019
Balance, beginning of the year	\$ 2,287,144	\$ 2,289,622	\$ 2,230,419
Contributions	1,617,347	3,473	15,790
Gain (loss)	1,054,629	71,856	121,354
Distributions	<u>(141,073)</u>	<u>(77,807)</u>	<u>(77,941)</u>
Balance, end of year	<u>\$ 4,818,047</u>	<u>\$ 2,287,144</u>	<u>\$ 2,289,622</u>

NOTE 11. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The District has beneficial interest in various assets held by the Foundation. Distributions of the income earned from the beneficial interest are received at various times throughout the year based on the distribution policies as stated in the terms of the funds. Changes in the value are reported as gains or losses in the statement of activities and distributions received are reported as investment income. Changes in these assets are as follows for the years ended:

	January 31,		
	2021	2020	2019
Balance, beginning of the year	\$ 2,914,104	\$ 2,750,298	\$ 2,716,134
Contributions	87,734	10,558	168,485
Gain (loss)	289,972	249,491	(37,780)
Distributions	<u>(100,796)</u>	<u>(96,243)</u>	<u>(96,541)</u>
Balance, end of year	<u>\$ 3,191,014</u>	<u>\$ 2,914,104</u>	<u>\$ 2,750,298</u>

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
 NOTES TO FINANCIAL STATEMENTS - Continued
 JANUARY 31, 2021, 2020 AND 2019

NOTE 12. NOTE PAYABLE

In April, 2020, the District was granted a loan in the amount of \$849,307, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act. Approximately \$249,000 of this total loan value was received on behalf of Pastoral Leadership Institute and Legacy Deo. The Texas District provides payroll services to these organizations. The loan matures in May 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing in November, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act. While management believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, management cannot provide absolute assurance that the loan will be eligible for forgiveness, in whole or in part. See Note 25 regarding forgiveness of the loan.

NOTE 13. SAVINGS STAMPS PAYABLE

Savings stamps are District-issued obligations designed to encourage children to invest in the Church Extension Fund. Stamps are sold on consignment to District congregations, which in turn sell them to individuals. These individuals then may redeem accumulated stamps in return for a Church Extension Fund savings account or cash. The balance of \$257,430, \$258,561 and \$259,157, represent the Church Extension Fund's liability for outstanding savings stamps as of January 31, 2021, 2020 and 2019, respectively.

NOTE 14. CHURCH EXTENSION FUND - PAYABLE TO INVESTORS

Church Extension Fund payable to investors consists of the following:

	January 31,		
	2021	2020	2019
Demand notes	\$ 61,050,659	\$ 54,765,815	\$ 51,332,434
1 year notes	42,616,358	36,736,182	33,640,363
3 year notes	23,589,395	22,452,815	21,180,539
5 year notes	37,836,243	37,142,146	37,524,092
IRA payable	1,942,399	1,756,140	1,298,452
	<u>\$ 167,035,054</u>	<u>\$ 152,853,098</u>	<u>\$ 144,975,880</u>

Included in payable to investors as of January 31, 2021, were time deposits maturing in years ending:

January 31, 2022	\$ 62,119,627
January 31, 2023	14,457,710
January 31, 2024	13,064,275
January 31, 2025	8,497,550
January 31, 2026	7,845,233
	<u>\$ 105,984,395</u>

The Lutheran Church Extension Fund - Missouri Synod has agreed to extend a line of credit, up to \$10,000,000, to the Church Extension Fund. As of January 31, 2021, 2020 and 2019 the line of credit balance was \$0.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 15. BOARD DESIGNATED NET ASSETS

The board designated net assets without donor restrictions for the following purposes:

	January 31,		
	2021	2020	2019
Mission and ministry programs	\$ 2,133,889	\$ 1,378,967	\$ 1,459,264
Special services, projects and assemblies	976,956	428,132	388,164
	<u>\$ 3,110,845</u>	<u>\$ 1,807,099</u>	<u>\$ 1,847,428</u>

NOTE 16. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following:

	January 31,		
	2021	2020	2019
Subject to expenditure for specified purpose:			
Mission and ministry programs	\$ 122,499	\$ 107,781	\$ 103,949
Special services, projects and assemblies	643,321	797,185	1,082,394
	<u>765,820</u>	<u>904,966</u>	<u>1,186,343</u>
Subject to the passage of time and specified purpose:			
Beneficial interest, mission and ministry programs	4,016,262	3,421,276	3,277,612
Beneficial interest, Church Extension Fund	1,192,656	1,070,926	1,057,200
	<u>5,208,918</u>	<u>4,492,202</u>	<u>4,334,812</u>
	<u>5,974,738</u>	<u>5,397,168</u>	<u>5,521,155</u>
Perpetual in nature:			
Development fund	105,716	105,716	105,716
Student endowment fund	8,413	8,413	8,413
Riemenschneider student fund	29,452	29,452	29,452
Concordia ministerial student endowment	18,440	18,440	18,440
Beneficial interest, mission and ministry programs	3,408,421	3,102,836	2,941,453
	<u>3,570,442</u>	<u>3,264,857</u>	<u>3,103,474</u>
	<u>\$ 9,545,180</u>	<u>\$ 8,662,025</u>	<u>\$ 8,624,629</u>

NOTE 17. DISTRICT ASSOCIATIONS

The District is associated with various corporate entities and is entitled to all or a portion of their assets in the event of dissolution. The District provided support to these entities as follows:

	January 31,		
	2021	2020	2019
Lutheran Social Services of the South, dba Upbring	\$ 20,000	\$ 25,000	\$ 25,000
Lutheran Outdoors Ministry of Texas, Inc.	25,000	30,000	30,000
The Lutheran Foundation of Texas, dba Legacy Deo	15,000	30,000	35,000

In addition, the District has a capital investment of \$855,354, \$855,354 and \$855,354 as a tenant in common with the Evangelical Lutheran Church of America as of January 31, 2021, 2020 and 2019, respectively.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
 NOTES TO FINANCIAL STATEMENTS - Continued
 JANUARY 31, 2021, 2020 AND 2019

NOTE 18. DEFINED BENEFIT RETIREMENT PLAN

The District participates in the Concordia Plan Services of the Lutheran Church - Missouri Synod, The Church's Plan. Substantially all full-time employees are covered by the retirement program. Based on actuarial rates established by the plan, the District contributes a fixed percentage of each participant's salary to the plan. Retirement expense for the years ended January 31, 2021, 2020 and 2019, was \$246,877, \$248,500 and \$268,213, respectively.

NOTE 19. TAX EXEMPT STATUS

The Texas District of the Lutheran Church - Missouri Synod is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has received a determination letter from the Internal Revenue Service that it is exempt from federal income tax on its related exempt activities under Code Section 501(a).

NOTE 20. CONCENTRATION OF CREDIT RISK

The District maintains bank deposit accounts that generally exceed federally insured limits. The District has not experienced any losses in such accounts. The District's management believes that it is not exposed to any significant credit risk on cash or cash equivalents.

As of January 31, 2021, loans receivable includes \$40,088,767 from four borrowers, which represents 33% of the total loans receivable. The Church Extension Fund's management believes it is not exposed to any significant risk due to the concentration.

As of January 31, 2020, loans receivable includes \$41,487,299 from four borrowers, which represents 33% of the total loans receivable. The Church Extension Fund's management believes it is not exposed to any significant risk due to the concentration.

As of January 31, 2019, loans receivable includes \$43,342,575 from four borrowers, which represents 34% of the total loans receivable. The Church Extension Fund's management believes it is not exposed to any significant risk due to the concentration.

NOTE 21. SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENTS

Cash payments for interest expense during the year ended January 31, 2021 were as follows:

	Current Fund	Church Extension Fund	Eliminations	Total
Interest paid	\$	3,576,371	\$ (18,646)	\$ 3,557,725

The summarized totals for January 31, 2020 and 2019 are \$3,164,817 and \$3,071,317, respectively.

The Church Extension Fund's non cash activity for the sale of other properties owned and financed through loans totaled \$0, \$0 and \$5,000,000 for the years ended January 31, 2021, 2020 and 2019, respectively.

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 22. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The overall reclassification had no impact on previously reported net income or cash flows.

NOTE 23. CORRECTION OF ERROR

The accompanying financial statements have been restated to correct an error made in prior years. The restated financial statements include assets in investment accounts that were previously unrecorded. The District has restated its previously issued January 31, 2020 and 2019 financial statements for matters related to the following previously reported items: investments, investment income, realized gains (losses), unrealized gains (losses) and investment expenses.

The effect on the District's previously issued financial statements as of and for the years ending January 31, 2020 and 2019 are summarized as follows:

	January 31, 2020			January 31, 2019		
	Previously Reported	Increase (Decrease)	Restated	Previously Reported	Increase (Decrease)	Restated
Statements of financial position as of:						
Investments	\$ 52,393,315	\$ 467,767	\$ 52,861,082	\$ 53,253,764	\$ 429,474	\$ 53,683,238
Net Assets, beginning:						
Without donor restrictions						
Undesignated	\$ 42,462,725	\$ 328,255	\$ 42,790,980	\$ 41,773,570	\$ 334,467	\$ 42,108,037
Board designated	\$ 1,779,446	\$ 67,982	\$ 1,847,428	\$ 2,098,145	\$ 67,382	\$ 2,165,527
With donor restrictions						
Time and purpose restrictions	\$ 5,487,918	\$ 33,237	\$ 5,521,155	\$ 8,218,723	\$ 25,263	\$ 8,243,986
Net Assets, ending:						
Without donor restrictions						
Undesignated	\$ 44,097,238	\$ 364,847	\$ 44,462,085	\$ 42,462,725	\$ 328,255	\$ 42,790,980
Board designated	\$ 1,739,118	\$ 67,981	\$ 1,807,099	\$ 1,779,446	\$ 67,982	\$ 1,847,428
With donor restrictions						
Time and purpose restrictions	\$ 5,362,229	\$ 34,939	\$ 5,397,168	\$ 5,487,918	\$ 33,237	\$ 5,521,155
Statements of activities for the years ending:						
Investment income	\$ 2,124,915	\$ 36,591	\$ 2,161,506	\$ 1,325,660	\$ (6,212)	\$ 1,319,448
Gifts and grants	\$ 439,095	\$ 1,702	\$ 440,797	\$ 1,545,493	\$ 8,574	\$ 1,554,067
Change in net assets	\$ 1,557,321	\$ 38,293	\$ 1,595,614	\$ 667,994	\$ 2,362	\$ 670,356

TEXAS DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS - Continued
JANUARY 31, 2021, 2020 AND 2019

NOTE 23. CORRECTION OF ERROR - Continued

	January 31, 2020			January 31, 2019		
	Previously Reported	Increase (Decrease)	Restated	Previously Reported	Increase (Decrease)	Restated
Statements of cash flows for the years ending:						
Realized and unrealized (gain) loss on investments	\$ (670,090)	\$ (30,545)	\$ (700,635)	\$ (50,069)	\$ 13,458	\$ (36,611)
Proceeds from the sale or maturity of investments	\$ 2,433,781	\$ 105,431	\$ 2,539,212	\$ 11,249,299	\$ 96,544	\$ 11,345,843
Purchase of investments	\$ (741,978)	\$ (113,179)	\$ (855,157)	\$ (709,381)	\$ (112,364)	\$ (821,745)

NOTE 24. COVID-19

In 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on businesses and communities. Specific to the District, COVID-19 may continue to impact various parts of its operations and financial results. Management believes it is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 25. SUBSEQUENT EVENTS

On May 10, 2021, the District received notification that the balance of the PPP loan has been forgiven by the Small Business Administration.

Management has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued, in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no other events or transactions occurring during this period that required recognition or disclosure.

TEXAS DISTRICT CEF PRIVACY NOTICE

The Texas District Church Extension Fund understands the importance of keeping information we collect about you secure and confidential. It's important for you to know that unlike many financial institutions, we do not sell or share any nonpublic personal information with outside marketers. We also carefully manage information to give you better service.

This document describes Texas District CEF's policy with respect to nonpublic personal information, which means personally identifiable information about a customers' current or former relationship with TexasCEF.

Categories of Information Collected

We collect and use various types of information in order to serve you. This enables us to help you learn more about the investments and products that may be of interest to you.

We collect consumer information from the following sources:

1. Information you provide to us on applications and through other means, such as your name, address, telephone number and social security number.
2. Information about your transactions and account experience with us, such as account balance and account activity.
3. Information obtained from congregations, such as a congregation name and volunteer activity.
4. Other general information we obtain about you, such as demographic information.

Disclosure of Customer Information in Certain Circumstances

Although we do not share Customer Information with outside marketers, we do share information in certain circumstances in an effort to provide our products and services with greater convenience and more choices, and also as permitted by law.

Sharing information with companies that work with us

We may disclose the Customer Information we collect, as described above, to companies that perform marketing services on our behalf with whom we have joint marketing agreements. We may also disclose Customer Information to third party service providers as necessary to process, service and provide access to your investments with TexasCEF in a manner that promotes a good customer experience.

The companies that work on our behalf are contractually obligated to CEF to keep the Customer Information we provide to them confidential, and to use the information only to provide the services we have asked them to perform for you and us.

Disclosing information in other situations

We may also disclose Customer Information to credit reporting agencies and similar organizations, and otherwise when permitted by law. For example, this may include:

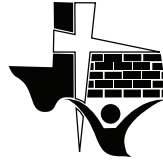
- A court order such as a subpoena for information, garnishment, or similar legal process.
- A Fraud investigation
- An audit or examination

Making sure information is accurate

Keeping your account information accurate and up to date is of the utmost importance. It is helpful to us if you keep us informed of any changes in your personal information, such as change of address, name change, etc. We provide you with access to your investment information through various means such as account statements and online through My TexasCEF.

If you have questions, please contact us by calling 888-951-1233.

INVESTMENT APPLICATION



Texas District Church Extension Fund
 7900 E US 290, Austin, TX 78724
 Phone 1-888-951-1233
 Fax 512-535-1605
 TexasCEF.org
 facebook.com/texascef

STEP 1: Choose Your Investment Ownership (Select only ONE)

Sole or Joint Owners (Must be at least 18 years old. Interest is reported to the IRS using the Social Security number of the first owner.)

And specify ownership: Individual Joint Tenants with Right of Survivorship

1.

 First Initial Last SSN Date of Birth (MM/DD/YYYY)

2.

 First Initial Last SSN Date of Birth Relationship to Owner #1

OR

Estate or Business

 Name of Estate or Business Social Security number/TIN/EIN

OR

Custodial Investment for Minor (Texas Uniform Transfers to Minors Act. Interest is required to be reported to the IRS using the Social Security number of the minor.)

Minor: _____
 First Initial Last SSN Date of Birth (MM/DD/YYYY)

Custodian: _____
 First Initial Last SSN Date of Birth Relationship to Minor

Successor _____
 Custodian: (optional) First Initial Last SSN Date of Birth Relationship to Minor

STEP 2: Contact Information and Supporting Investments

 Address

 City State Zip

 Home Phone Cell Phone E-mail

 Home Congregation (or other congregation to support) City

STEP 3: Choose Your Investment Type and Options

Fixed Rate Term Note 1 Year 3 Year 5 Year Amount: \$ _____

Floating Rate Term Note 1 Year 3 Year 5 Year Amount: \$ _____

Flex Savings Amount: \$ _____

Rainy Day Fund (Recurring EFT authorization required in Step 4) Amount: \$ _____

(Transfers from existing CEF investments not permitted for Rainy Day Fund. See Offering Circular for other Rainy Day Fund terms)

INTEREST PAYMENT METHOD (for notes only)

Accumulate interest, OR Electronic Funds Transfer (ATTACH VOIDED CHECK) Quarterly Monthly

 Name of Bank Routing Number Account Number

STEP 4: Initial Funding Options and EFT Authorization (Recurring EFT required for Rainy Day Fund)

- Check enclosed
- Transfer \$ _____ from my existing Texas CEF investment # _____ (Not permitted for Rainy Day Fund)
- Transfer \$ _____ from my bank account for initial investment.

Name of Bank

Routing Number

Account Number

- Recurring EFT (Required For Rainy Day investments)

Transfer \$ _____ from my bank account on the _____ day of each month, beginning on _____
(Rainy Day Fund investors must transfer at least \$25 per month) _____ Date

Please attach a voided check for any EFT requests. This authorization is to remain in full force and effect until The Texas District Church Extension Fund has received reasonable written notification from me (or either of us) of its termination in such time and in such manner as to afford Texas District Church Extension Fund and my bank a reasonable opportunity to act on it.

Signature

Date

Signature

Date

STEP 5: Certification & Signatures

By signing this application, I certify that:

- I have received a current Offering Circular of the Texas District Church Extension Fund and I am of legal age and not a minor.
- Prior to receipt of the Offering Circular, I was a member of, contributor to or participant in The Lutheran Church—Missouri Synod or any district or other program, activity or organization which constitutes a part of the Synod or any of its districts or I was an ancestor, descendant or successor in interest to such person.
- I am a resident of Texas.
- Under penalty of perjury, the Social Security or Tax ID number shown on this application is correct.
- Under penalty of perjury, I am either exempt from withholding or otherwise not subject to backup withholding. The Internal Revenue Service (IRS) has not notified me that part of my dividend and interest income is to be withheld as a result of my failure to report all dividend and interest income. Please draw an “X” through this paragraph if you ARE subject to backup withholding.

Note: The Internal Revenue Service does not require your consent to any provision of this application other than the certifications required to avoid backup withholding. Due to IRS regulations, the Texas CEF cannot open your investment until your Taxpayer Identification Number is provided and the below certification signed.

Signature of Account Owner/Authorized Signer/Custodian under TXUTMA

Date

Signature of Joint Owner/Authorized Signer/Successor Custodian under TXUTMA

Date

Definitions

- **Individual Investment:** The investor owns the investment. On the death of the investor ownership of the account passes as a part of the investor’s estate under the investor’s will or by intestacy.
- **Joint Tenants with Right of Survivorship Investment:** The investors own the investment in proportion to their net contributions. Texas CEF may pay any sum in the investment to any owner at any time. On the death of an investor, the investor’s ownership of the account passes to the surviving investor(s).
- **Custodial Investment:** The minor (or other individual for whom the custodial relationship is established) owns the investment. Interest is reported to the IRS using the tax identification of the minor. Texas CEF may pay any sum in the investment on the order of the custodian(s) only. The investment does not automatically transfer to the minor when they reach majority. The custodian must request a change in ownership to transfer control of the investment.

- **Estate or Business:** The investment is owned by the estate or business. Texas CEF may pay any sum in the account as directed by any authorized signer. The Organization Authorized Signers Form must be attached.

Other Instructions

- If you would like to participate in the Texas Two-Step Program, please complete and attach the Texas Two-Step application available on our website or call 1-888-951-1233.
- If you would like to designate beneficiaries, please complete and attach the Beneficiary Form available on our website or call 1-888-951-1233.

The mission of the Texas District Church Extension Fund is to extend God’s Kingdom by boldly and responsibly assisting congregations to acquire land and buildings and by linking investors with congregations.