

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH – MISSOURI SYNOD  
Billings, Montana

FINANCIAL STATEMENTS  
December 31, 2018 and 2017

Mangis Accounting, PC  
Certified Public Accountants  
Billings, Montana

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH – MISSOURI SYNOD  
Billings, Montana

	<u>INDEX</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Change in Net Assets	3-4
Statements of Functional Expense	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12



**MANGIS ACCOUNTING**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**Independent Auditor's Report**

Board of Directors  
Montana District of the Lutheran Church – Missouri Synod  
30 Broadwater Avenue  
Billings, Montana 59101

We have audited the accompanying financial statements of the Montana District of the Lutheran Church – Missouri Synod, a non-profit corporation, which comprise the Statements of Financial Position as of December 31, 2018 and 2017, and the related Statements of Activities and Change in Net Assets, and Statements of 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana District of the Lutheran Church – Missouri Synod as of December 31, 2018 and 2017, and the change 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.

  
Mangis Accounting, PC

Billings, Montana  
July 22, 2019

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH - MISSOURI SYNOD  
 Billings, Montana

STATEMENTS OF FINANCIAL POSITION  
 December 31

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 600,627	\$ 578,660
Accounts receivable	200	2,920
Property investment	-	114,808
Total Current Assets	<u>600,827</u>	<u>696,388</u>
<u>Property and Equipment</u>		
Land	31,382	31,382
Buildings and improvements	123,501	123,501
Office equipment	6,596	6,596
Vehicles	26,387	26,387
Total Property and Equipment	<u>187,866</u>	<u>187,866</u>
Less: Accumulated Depreciation	<u>(133,609)</u>	<u>(124,697)</u>
Net Property and Equipment	<u>54,257</u>	<u>63,169</u>
<u>Other Assets</u>		
Other investments	<u>1,249,400</u>	<u>1,307,820</u>
Total Assets	<u>\$ 1,904,484</u>	<u>\$ 2,067,377</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 13,201	\$ 14,794
Accrued compensation expense	1,671	-
Commitments	-	51,800
Total Current Liabilities	<u>14,872</u>	<u>66,594</u>
<u>Net Assets</u>		
Without donor restrictions		
Investments in land, buildings, and equipment	54,257	63,169
Board designated	1,094,398	1,074,052
Undesignated	405,008	495,100
With donor restrictions	<u>335,949</u>	<u>368,462</u>
Total Net Assets	<u>1,889,612</u>	<u>2,000,783</u>
Total Liabilities and Net Assets	<u>\$ 1,904,484</u>	<u>\$ 2,067,377</u>

See accompanying notes to financial statements

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH - MISSOURI SYNOD  
 Billings, Montana

STATEMENT OF ACTIVITIES AND  
CHANGE IN NET ASSETS  
 December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>			
District Congregations	\$ 571,347	\$ -	\$ 571,347
Convention income	825	-	825
Contributions and grants	55,495	11,770	67,265
In-kind donations	2,318	-	2,318
Rents received	6,160	-	6,160
Investment (loss) return, net	(62,875)	-	(62,875)
(Loss) on sale of contributed property	(16,980)	-	(16,980)
Net assets released from restrictions	44,283	(44,283)	-
Total Revenues, Gains, and Other Support	<u>600,573</u>	<u>(32,513)</u>	<u>568,060</u>
<u>EXPENSE</u>			
Program	544,044	-	544,044
Management and general	135,031	-	135,031
Fundraising	156	-	156
Total Expense	<u>679,231</u>	<u>-</u>	<u>679,231</u>
Change in Net Assets - (Decrease)	<u>(78,658)</u>	<u>(32,513)</u>	<u>(111,171)</u>
Net Assets - Beginning	<u>1,632,321</u>	<u>368,462</u>	<u>2,000,783</u>
Net Assets - Ending	<u>\$ 1,553,663</u>	<u>\$ 335,949</u>	<u>\$ 1,889,612</u>

See accompanying notes to financial statements

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH - MISSOURI SYNOD  
 Billings, Montana

STATEMENT OF ACTIVITIES AND  
CHANGE IN NET ASSETS  
 December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>			
District Congregations	\$ 569,336	\$ -	\$ 569,336
Convention income	23,096	-	23,096
Contributions and grants	71,199	10,218	81,417
In-kind donations	110,278	-	110,278
Rents received	4,730	-	4,730
Investment return, net	153,309	-	153,309
Net assets released from restrictions	63,704	(63,704)	-
Total Revenue, Gains, and Other Support	<u>995,652</u>	<u>(53,486)</u>	<u>942,166</u>
<u>EXPENSE</u>			
Program	479,831	-	479,831
Management and general	132,284	-	132,284
Fundraising	147	-	147
Total Expense	<u>612,262</u>	<u>-</u>	<u>612,262</u>
Change in Net Assets - Increase (Decrease)	<u>383,390</u>	<u>(53,486)</u>	<u>329,904</u>
Net Assets - Beginning	<u>1,248,931</u>	<u>421,948</u>	<u>1,670,879</u>
Net Assets - Ending	<u>\$ 1,632,321</u>	<u>\$ 368,462</u>	<u>\$ 2,000,783</u>

See accompanying notes to financial statements

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH - MISSOURI SYNOD  
Billings, Montana

STATEMENT OF FUNCTIONAL EXPENSE  
Year ended December 31, 2018

	Program					
	National/ International	MT District		Synodical	Management	Total
	Mission	Mission	General Fund	and General		
	\$	\$	\$	\$	\$	\$
Board of directors expense	778	40,586	-	5,740	-	47,104
Congregational resources	-	655	-	-	-	655
Convention expenses	25	26,379	-	-	-	26,404
Depreciation	-	-	-	8,912	-	8,912
Ecclesiastical services	3,874	25,773	-	443	-	30,090
Employee benefits	3,719	9,646	-	12,709	8	26,082
Grants and support	-	219,146	142,837	-	-	361,983
Insurance	-	-	-	3,434	-	3,434
Ministry boards and committees	-	26,939	-	5,858	-	32,797
Miscellaneous	-	-	-	114	-	114
Office expense	-	284	-	12,481	34	12,799
Payroll taxes	7	294	-	3,643	9	3,953
Professional fees	-	-	-	7,988	-	7,988
Real estate taxes	-	-	-	326	-	326
Repairs and maintenance	-	-	-	182	-	182
Salaries and wages	11,244	31,858	-	70,304	105	113,511
Utilities	-	-	-	2,897	-	2,897
Total Expense	\$ 19,647	\$ 381,560	\$ 142,837	\$ 135,031	\$ 156	\$ 679,231

See accompanying notes to financial statements

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH - MISSOURI SYNOD  
Billings, Montana

STATEMENT OF FUNCTIONAL EXPENSE  
Year ended December 31, 2017

	Program					
	National/ International Mission	MT District Mission	Synodical General Fund	Management and General	Fundraising	Total 2017
	\$ 173	\$ 16,000	\$ -	\$ 8,466	\$ -	\$ 24,639
Board of directors expense	-	115	-	-	-	115
Congregational resources	-	-	-	-	-	-
Convention expenses	-	-	-	-	-	-
Depreciation	-	-	-	10,012	-	10,012
Ecclesiastical services	2,370	26,908	-	5,594	-	34,872
Employee benefits	3,621	9,394	-	12,363	8	25,386
Grants and support	4,000	201,615	142,334	-	-	347,949
Insurance	-	-	-	5,637	-	5,637
Ministry boards and committees	500	29,199	-	3,850	-	33,549
Miscellaneous	-	-	-	108	-	108
Office expense	-	577	-	5,081	32	5,690
Payroll taxes	7	236	-	3,226	8	3,477
Professional fees	-	-	-	6,500	-	6,500
Real estate taxes	-	-	-	2,450	-	2,450
Repairs and maintenance	-	-	-	309	-	309
Salaries and wages	11,244	31,538	-	65,685	99	108,566
Utilities	-	-	-	3,003	-	3,003
Total Expense	\$ 21,915	\$ 315,582	\$ 142,334	\$ 132,284	\$ 147	\$ 612,262

See accompanying notes to financial statements



MONTANA DISTRICT OF THE  
LUTHERAN CHURCH - MISSOURI SYNOD  
 Billings, Montana

STATEMENTS OF CASH FLOWS  
 December 31

	<u>2018</u>	<u>2017</u>
<u>OPERATING ACTIVITIES</u>		
Net Assets Increase (Decrease)	\$ (111,171)	\$ 329,904
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	8,912	10,012
Accounts receivable - (increase) decrease	2,720	(2,920)
Accounts payable - (decrease)	(1,593)	(2,184)
Accrued compensation expense - increase	1,671	-
Loss on sale of contributed property	16,980	-
Realized and unrealized (gains) losses on investments	106,873	(105,072)
Net Cash Provided by Operating Activities	<u>24,392</u>	<u>229,740</u>
<u>INVESTING ACTIVITIES</u>		
Property investment - proceeds	97,828	-
Property investment - (contributed)	-	(114,808)
Other investments - proceeds	63,476	72,465
Other investments - (purchases)	(111,929)	(46,711)
Net Cash Provided (Used) by Investing Activities	<u>49,375</u>	<u>(89,054)</u>
<u>FINANCING ACTIVITIES</u>		
Commitments - (payments)	(51,800)	(88,800)
Net Cash (Used) by Financing Activities	<u>(51,800)</u>	<u>(88,800)</u>
Cash and Cash Equivalents Increase for the Year	21,967	51,886
Cash and Cash Equivalents Balance - Beginning	<u>578,660</u>	<u>526,774</u>
Cash and Cash Equivalents Balance - Ending	<u>\$ 600,627</u>	<u>\$ 578,660</u>
Supplemental Disclosures:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

**1 ORGANIZATION**

The Montana District of the Lutheran Church – Missouri Synod, a non-profit organization, is one of the 35 geographic Districts of The Lutheran Church – Missouri Synod (the Synod), encompassing 68 congregations in the states of Montana, Idaho and North Dakota. The Synod established its District offices to more effectively achieve its objectives and assist its congregations and their members in conserving and promoting the unity of the faith, and in carrying out their functions of worship, witness, teaching and nurture, service and support.

The District relies on donations from its member congregations for a significant portion of its support. As shown on the statements of activities and change in net assets, the total support from the District Congregations was \$571,347 and \$569,336 for the years ended December 31, 2018 and 2017, respectively.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with professional standards and are stated on the accrual basis of accounting. Accordingly, revenue is recognized when pledged and expenses are recognized when incurred rather than when the obligation is paid. The significant accounting policies described below are to enhance the usefulness of the financial statements to the reader.

- a. Contributions - Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.
- b. Cash and Cash Equivalents - For purposes of the financial statements, the Montana District considers all cash and investments that mature within 90 days to be the same as cash. At times throughout the year, the cash and cash equivalent balances may exceed the federally insured limits. The Lutheran Church Extension Fund (LCEF), is a religious organization, therefore amounts held by them are not insured by the FDIC. The balances with LCEF at December 31, 2018 and 2017 were \$393,768 and \$339,627, respectively.
- c. Property and Equipment - The Montana District capitalizes property and equipment over \$5,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date received. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Property and equipment are depreciated using the straight-line method over the estimated useful life of each item; machinery and equipment 5-10 years, building and improvements 10-30 years.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- d. Income Taxes - The Montana District of the Lutheran Church – Missouri Synod is a non-profit 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 stating that it is exempt from federal income taxes on the income from related exempt activities under Code Section 501(a). As of December 31, 2018 and 2017, the Montana District had no uncertain tax positions that would qualify for recognition or disclosure in the financial statements.
- e. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- f. Investments - The organization has adopted standards for investment recognition whereby investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The organization recognizes all contributed financial assets at their fair value as defined as the price representing the amount that would be received to sell an asset. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, the organization adheres to the establishment of a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in an active market;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions based on reasonable and commonly accepted assertions

- g. Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted, which are based on the best estimates of management.
- h. Prior year amounts - Certain amounts from the prior year have been reclassified to be more comparable with the current year presentation.

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH – MISSOURI SYNOD  
Billings, Montana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

3 INVESTMENTS

The Montana District investment amounts of \$1,183,539 and \$1,282,464 at December 31, 2018 and 2017, respectively, are held by the Lutheran Church Missouri Synod Foundation. Those amounts consist of both net assets with donor restrictions and net assets without donor restrictions. The amounts with donor restrictions at December 31, 2018 and 2017 are \$290,647 and \$326,207, respectively. The amounts without donor restrictions at December 31, 2018 and 2017 are \$892,892 and \$956,257, respectively. The certificates of deposit held by the Lutheran Church Extension Fund at December 31, 2018 in the amount of \$65,861 consist of \$16,000 of net assets with donor restrictions and \$49,861 of net assets without donor restrictions. The certificate of deposit held by the Lutheran Church Extension Fund at December 31, 2017 in the amount of \$25,356 is included in net assets without donor restrictions.

Investments are valued using level 1 inputs and stated at fair value.

<u>December 31, 2018</u>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation Gain (Loss)</u>
Certificates of Deposit	\$ 65,861	\$ 65,861	\$ -
Mutual Funds	<u>1,231,808</u>	<u>1,183,539</u>	<u>(48,269)</u>
Total at December 31, 2018	<u>\$ 1,297,669</u>	<u>\$ 1,249,400</u>	<u>\$ (48,269)</u>

<u>December 31, 2017</u>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation Gain (Loss)</u>
Certificate of Deposit	\$ 25,356	\$ 25,356	\$ -
Mutual Funds	<u>1,221,768</u>	<u>1,282,464</u>	<u>60,696</u>
Total at December 31, 2017	<u>\$ 1,247,124</u>	<u>\$ 1,307,820</u>	<u>\$ 60,696</u>

Investment (loss) return is summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 50,771	\$ 54,895
Investment management fees	(6,773)	(6,658)
Realized gains (losses)	2,092	953
Unrealized gains (losses)	<u>(108,965)</u>	<u>104,119</u>
Total investment (loss) return, net	<u>(\$ 62,875)</u>	<u>\$ 153,309</u>

4 COMMITMENT

In August of 2015, the Montana District LCMS committed to fund the Emmaus Lutheran Mission for three years. The board committed to supporting the mission with payments of up to \$7,400 a month. The balance of the commitment at December 31, 2017 was \$51,800 and was due in July 2018. There were no commitments at December 31, 2018.

MONTANA DISTRICT OF THE  
LUTHERAN CHURCH – MISSOURI SYNOD  
Billings, Montana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

**5 RESTRICTIONS ON NET ASSETS**

Net assets without donor restrictions (Board designated) are comprised of the following categories at December 31:

	<u>2018</u>	<u>2017</u>
Mission and Ministry Fund	\$ 621,991	\$ 656,159
Convention Assessments	44,740	48,061
District Schools Scholarship	15,634	-
Scholarship Fund	243,953	237,914
District Schools Fund	105,406	76,529
Pastor/Teacher Conference	856	3,296
Pastors Wives Retreat	93	93
Student Loan Replacement	37,484	30,000
Technology Replacement	241	4,000
Car Replacement	24,000	18,000
Total Board Designated Funds	<u>\$ 1,094,398</u>	<u>\$ 1,074,052</u>

Net assets with donor restrictions that time or use restrictions expired include the following at December 31:

	<u>2018</u>	<u>2017</u>
Anaconda Mission	\$ 594	\$ -
Circle of Life Lutheran Ministries	239	828
Crow Lutheran Ministry	239	278
Emmaus Lutheran Mission	4,418	3,557
Indian Ministry	40	13,323
Mercy Fund	3,101	7,172
Scholarship Fund	30,000	31,688
District Schools Fund	5,652	6,858
Total Net Assets Released from Restrictions	<u>\$ 44,283</u>	<u>\$ 63,704</u>

Net assets with donor restrictions that are available are comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Campus Ministry	\$ 1,520	\$ 1,520
District School Scholarships	2,000	-
Indian Ministry	100	100
Mercy Fund	41,683	40,634
MT District Scholarship Fund	275,526	305,526
MT District Schools Fund	15,120	20,682
Total Net Assets with Donor Restrictions	<u>\$ 335,949</u>	<u>\$ 368,462</u>

**6 ENDOWMENT TRUST INCOME**

The Montana District receives 25 percent of the Meinhardt Endowment income and 10 percent of the Wegner Endowment income from these perpetual endowments owned by the LCMS Foundation, of which only the income, as defined by the agreement, may be distributed and the principal is held in perpetuity. This income without donor restrictions is included in contributions on the statements of activities and change in net assets. The Montana District also benefits from the Schreibeis Endowment, a term-of-years endowment, of which the income will reinvest until November 2026 after which distributions will be made to provide seminary student aid to eligible Montana District students.



NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

7 DONATED FACILITIES, SERVICES, AND SUPPLIES

The organization records in-kind support, including donated facilities, services and supplies. The amounts recorded for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ -	\$ 108,000
Goods and services	<u>2,318</u>	<u>2,278</u>
Total	<u>\$ 2,318</u>	<u>\$ 110,278</u>

The Montana District receives donated services from a variety of unpaid volunteers assisting in the organization's activities. No amounts have been recognized in the accompanying statements of activities and change in net assets because the criteria for recognition of such volunteer effort has not been satisfied.

The organization recognizes contributed services if the services received create or enhance long lived assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be paid for if not donated.

8 LIQUIDITY AND AVAILABILITY

The Montana District of the LCMS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Montana District LCMS must maintain sufficient resources to meet those responsibilities to its donors. The following table reflects the Organization's total financial assets as of December 31, 2018, and the total financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures. At the direction of the governing board, the Montana District of the LCMS could draw upon its board designated funds if necessary.

Financial assets at year-end:	<u>2018</u>
Cash and cash equivalents	\$ 600,627
Accounts receivable	200
Other investments	<u>1,249,400</u>
Total financial assets at year-end	<u>1,850,227</u>
Less amounts with donor restrictions	(335,949)
Less amounts with Board designations	(1,094,398)
Donor restricted funds expected to be released within one year	58,420
Board designated funds expected to be released within one year	<u>149,010</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 627,310</u>

9 SUBSEQUENT EVENTS

The Montana District has evaluated subsequent events through July 22, 2019, the date which the financial statements were available to be issued.