

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

**FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

Mangis Accounting, PC  
Certified Public Accountants  
Billings, Montana

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

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

**Independent Auditor's Report**

Board of Directors  
Montana District of the Lutheran Church – Missouri Synod  
759 Newman Lane, Suite 2  
Billings, Montana 59101

**Opinion**

We have audited the accompanying financial statements of Montana District of the Lutheran Church – Missouri Synod, a non-profit corporation, which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the related Statements of Activities and Change in Net Assets, Statements of Functional Expense, and Statements of Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana District of the Lutheran Church – Missouri Synod as of December 31, 2022 and 2021, 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.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

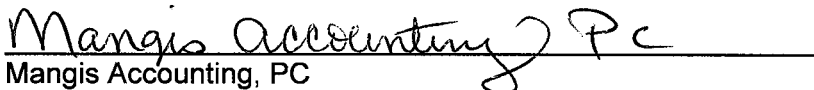
## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Montana District of the Lutheran Church – Missouri Synod's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana District of the Lutheran Church – Missouri Synod's ability to continue as a going concern for a reasonable period of time.

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

  
Mangis Accounting, PC

Billings, Montana  
July 19, 2023

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

STATEMENTS OF FINANCIAL POSITION  
December 31

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 873,557	\$ 638,548
Restricted cash	47,536	55,742
Prepaid expenses	8,775	8,775
Total Current Assets	929,868	703,065
<u>Property and Equipment</u>		
Land	-	31,382
Buildings and improvements	-	135,219
Leasehold improvements	10,218	-
Office equipment	6,596	6,596
Vehicles	26,399	26,399
Total Property and Equipment	43,213	199,596
Less: Accumulated Depreciation and Amortization	(15,117)	(135,966)
Net Property and Equipment	28,096	63,630
<u>Other Assets</u>		
Right-of-use asset - Operating lease	237,500	-
Noncurrent portion of prepaid expenses	-	125,000
Other investments	776,064	1,168,549
Total Other Assets	1,013,564	1,293,549
Total Assets	\$ 1,971,528	\$ 2,060,244
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 11,791	\$ 22,211
Accrued compensation expense	28	1,735
Total Current Liabilities	11,819	23,946
<u>Net Assets</u>		
Without donor restrictions		
Investments in land, buildings, and equipment	28,096	63,630
Board designated	741,703	1,149,161
Undesignated	951,996	533,872
Total Without Donor Restrictions	1,721,795	1,746,663
With donor restrictions		
Total Net Assets	237,914	289,635
Total Net Assets	1,959,709	2,036,298
Total Liabilities and Net Assets	\$ 1,971,528	\$ 2,060,244

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, 2022

<u>REVENUES, GAINS, AND OTHER SUPPORT</u>	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
District Congregations' contributions	\$ 585,329	\$ -	\$ 585,329
Individual donations and other contributions	123,548	17,404	140,952
Fees and assessments	4,522	-	4,522
In-kind donations	1,616	-	1,616
Investment return (loss), net	(163,925)	-	(163,925)
Gain on sale of assets	215,068	-	215,068
Other revenue	18,753	-	18,753
Net assets released from restrictions	69,125	(69,125)	-
Total Revenues, Gains, and Other Support	<u>854,036</u>	<u>(51,721)</u>	<u>802,315</u>
 <u>EXPENSE</u>			
Program Services:			
National/International Mission	37,585	-	37,585
MT District Mission	474,944	-	474,944
Support Services:			
Synodical general fund	146,332	-	146,332
Management and general	191,417	-	191,417
Unallocated COVID-19 payment to LCEF	28,500	-	28,500
Fundraising	126	-	126
Total Expense	<u>878,904</u>	<u>-</u>	<u>878,904</u>
 Change in Net Assets	 <u>(24,868)</u>	 <u>(51,721)</u>	 <u>(76,589)</u>
 Net Assets - Beginning of Year	 <u>1,746,663</u>	 <u>289,635</u>	 <u>2,036,298</u>
Net Assets - End of Year	<u>\$ 1,721,795</u>	<u>\$ 237,914</u>	<u>\$ 1,959,709</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, 2021

<u>REVENUES, GAINS, AND OTHER SUPPORT</u>	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
District Congregations' contributions	\$ 594,150	\$ -	\$ 594,150
Individual donations and other contributions	10,014	28,774	38,788
Fees and assessments	35	-	35
In-kind donations	1,362	-	1,362
Investment return (loss), net	105,081	-	105,081
Gain on sale of assets	-	-	-
Other revenue	-	-	-
Net assets released from restrictions	53,611	(53,611)	-
Total Revenue, Gains, and Other Support	<u>764,253</u>	<u>(24,837)</u>	<u>739,416</u>
 <u>EXPENSE</u>			
Program Services:			
National/International Mission	41,504	-	41,504
MT District Mission	421,866	-	421,866
Support Services:			
Synodical general fund	148,537	-	148,537
Management and general	143,291	-	143,291
Unallocated COVID-19 payment to LCEF	-	-	-
Fundraising	126	-	126
Total Expense	<u>755,324</u>	<u>-</u>	<u>755,324</u>
 Change in Net Assets	 <u>8,929</u>	 <u>(24,837)</u>	 <u>(15,908)</u>
 Net Assets - Beginning of Year	 <u>1,737,734</u>	 <u>314,472</u>	 <u>2,052,206</u>
Net Assets - End of Year	<u>\$ 1,746,663</u>	<u>\$ 289,635</u>	<u>\$ 2,036,298</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, 2022

	Program Services		Support Services			Total 2022
	National/ International Mission	MT District Mission	Synodical General Fund	Management and General	Fundraising	
Board of directors' expense	\$ 7,270	\$ 1,666	\$ -	\$ 11,524	\$ -	\$ 20,460
Congregational resources	-	398	-	-	-	398
Convention expenses	-	33,872	-	-	-	33,872
Depreciation and amortization	-	-	-	3,920	-	3,920
Ecclesiastical services	2,173	22,934	-	1,082	-	26,189
Employee benefits	4,324	11,114	-	15,057	9	30,504
Grants and support	8,000	359,233	146,332	-	-	513,565
Insurance	-	-	-	6,023	-	6,023
Ministry boards and committees	-	4,174	-	919	-	5,093
Miscellaneous	-	41	-	158	-	199
Office expense	-	-	-	7,167	-	7,167
Payroll taxes	7	98	-	4,669	9	4,783
Professional fees	-	-	-	7,885	-	7,885
Real estate taxes	-	-	-	-	-	-
Operating lease expense	-	-	-	12,500	-	12,500
Repairs and maintenance	-	-	-	21,751	-	21,751
Salaries and wages	15,811	41,414	-	95,002	108	152,335
Utilities	-	-	-	3,760	-	3,760
<b>Total Expense</b>	<b>\$ 37,585</b>	<b>\$ 474,944</b>	<b>\$ 146,332</b>	<b>\$ 191,417</b>	<b>\$ 126</b>	<b>\$ 850,404</b>

See accompanying notes to financial statements



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

STATEMENT OF FUNCTIONAL EXPENSE  
Year ended December 31, 2021

	Program Services		Support Services			Total 2021
	National/ International Mission	MT District Mission	Synodical General Fund	Management and General	Fundraising	
Board of directors' expense	\$ 226	\$ 4,938	\$ -	\$ 9,995	\$ -	\$ 15,159
Congregational resources	-	321	-	-	-	321
Convention expenses	-	-	-	140	-	140
Depreciation and amortization	-	-	-	4,762	-	4,762
Ecclesiastical services	15,675	17,274	-	2,384	-	35,333
Employee benefits	4,148	10,667	-	14,405	10	29,230
Grants and support	8,000	347,237	148,537	-	-	503,774
Insurance	-	-	-	5,187	-	5,187
Ministry boards and committees	-	5,828	-	-	-	5,828
Miscellaneous	-	-	-	205	-	205
Office expense	-	-	-	10,712	-	10,712
Payroll taxes	7	108	-	3,862	8	3,985
Professional fees	-	-	-	7,853	-	7,853
Real estate taxes	-	-	-	319	-	319
Operating lease expense	-	-	-	-	-	-
Repairs and maintenance	-	-	-	48	-	48
Salaries and wages	13,448	35,493	-	80,022	108	129,071
Utilities	-	-	-	3,397	-	3,397
<b>Total Expense</b>	<b>\$ 41,504</b>	<b>\$ 421,866</b>	<b>\$ 148,537</b>	<b>\$ 143,291</b>	<b>\$ 126</b>	<b>\$ 755,324</b>

See accompanying notes to financial statements

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

STATEMENTS OF CASH FLOWS  
December 31

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (76,589)	\$ (15,908)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,920	4,762
Right-of-use asset - Operating lease - (increase)	(237,500)	-
Prepaid expenses - (increase) decrease	125,000	(133,775)
Accounts payable - increase (decrease)	(10,420)	6,790
Accrued compensation expense - increase (decrease)	(1,707)	1,721
(Gain) on sale of assets	(215,068)	-
Realized and unrealized (gains) losses on investments	242,431	(17,340)
Net Cash (Used) by Operating Activities	<u>(169,933)</u>	<u>(153,750)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Improvements	(10,218)	-
Proceeds from sale of assets	256,900	-
Other investments - proceeds	220,055	147,375
Other investments - (purchases)	(70,001)	(54,909)
Net Cash Provided by Investing Activities	<u>396,736</u>	<u>92,466</u>
 Net Change in Cash, Cash Equivalents, and Restricted Cash	 226,803	 (61,284)
 Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	 <u>694,290</u>	 <u>755,574</u>
 Cash, Cash Equivalents, and Restricted Cash at End of Year	 <u><u>\$ 921,093</u></u>	 <u><u>\$ 694,290</u></u>
 Supplemental Disclosures:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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 \$585,329 and \$594,150 for the years ended December 31, 2022 and 2021, 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-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor 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.

*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 the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

- b. Cash and Cash Equivalents - For purposes of the financial statements, the Montana District considers all cash and investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. 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, 2022 and 2021 were \$731,390 and \$590,631, respectively.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Cash and Cash Equivalents (continued) - The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the statements of cash flows at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 873,557	\$ 638,548
Restricted cash	<u>47,536</u>	<u>55,742</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 921,093</u>	<u>\$ 694,290</u>

- c. Property and Equipment - The Montana District capitalizes property and equipment over \$5,000. Lesser amounts are expensed. 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. Depreciation and amortization are computed using the straight-line method over the estimated useful life of each item, or in the case of leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term; automobiles and equipment 5-10 years, building and improvements 10-30 years.

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

- 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, 2022 and 2021, 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 and Fair Value Measurements - 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.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- f. Investments and Fair Value Measurements (continued) - 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. The expenses that are allocated include board of directors' expense, ecclesiastical services, employee benefits, grants and support, ministry boards and committees, miscellaneous, payroll taxes, and salaries and wages which are allocated on the basis of estimates of time and effort.
- h. New Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leasing agreements.

The Organization adopted the standard effective January 1, 2022 and recognized a ROU asset as further described in Note 6. The adoption of the standard did not have a material impact on the statements of activities and change in net assets or the statements of cash flows. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard that allows it to not reassess: (a) whether any expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases and (c) initial direct costs for any expired or existing leases. The comparative prior period financial statement information has not been restated and continues to be reported under the accounting standards in effect for that period under *Topic 840*.

3 ACCOUNTS RECEIVABLE - CONGREGATION ASSESSMENTS

Each congregation of the Montana District is sent an annual assessment invoice in February of each year. These assessments are used to cover the costs of the tri-annual District and Synod conventions and the annual District Pastor and regional Pastor Conferences. The Board of Directors directed that the 2021 convention assessment and conference assessments not be issued in 2021 in order to provide relief to struggling congregations in the wake of the coronavirus pandemic. Because the convention fund was fully funded in 2021, the Board of Directors directed that the 2022 convention assessment not be issued in 2022. The conference assessments were issued in 2022 and no assessments were outstanding at December 31, 2022.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

**4 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Montana District investment amounts of \$776,064 and \$1,128,549 at December 31, 2022 and 2021, respectively, are held by the Lutheran Church Missouri Synod Foundation. Those amounts consisted of both net assets with donor restrictions and net assets without donor restrictions. The amounts with donor restrictions at December 31, 2022 and 2021 were \$190,379 and \$213,859, respectively. The amounts without donor restrictions at December 31, 2022 and 2021 were \$585,685 and \$914,690, respectively. The certificate of deposit held by the Lutheran Church Extension Fund at December 31, 2021 in the amount of \$40,000 consisted of \$20,035 of net assets with donor restrictions and \$19,965 of net assets without donor restrictions.

The LCEF investments included a 2-year certificate of deposit at an interest rate of 2% per year that matured in April of 2021, and a 40-month certificate of deposit at a fixed rate of 4%, that matured in February of 2022. The LCMS Foundation investment is in the Standard Fund Account-Moderate Balanced Fund. This is a blended portfolio that holds both fixed income and equity securities, providing modest income generation and potential for growth. This fund is jointly managed by NEPC under contract with the LCMS Foundation board.

Investments are valued using level 1 and level 2 inputs and stated at fair value.

December 31, 2022					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total	Cost	Unrealized Appreciation Gain (Loss)
Certificate of deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual funds	<u>776,064</u>	<u>-</u>	<u>776,064</u>	<u>844,474</u>	<u>(68,410)</u>
	<u>\$ 776,064</u>	<u>\$ -</u>	<u>\$ 776,064</u>	<u>\$ 844,474</u>	<u>\$ (68,410)</u>
December 31, 2021					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total	Cost	Unrealized Appreciation Gain (Loss)
Certificate of deposit	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Mutual funds	<u>1,128,549</u>	<u>-</u>	<u>1,128,549</u>	<u>960,778</u>	<u>167,771</u>
	<u>\$ 1,128,549</u>	<u>\$ 40,000</u>	<u>\$ 1,168,549</u>	<u>\$ 1,000,778</u>	<u>\$ 167,771</u>

Investment return is summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 83,613	\$ 93,993
Investment management fees	(5,107)	(6,252)
Realized gains (losses)	(6,250)	18,288
Unrealized gains (losses)	<u>(236,181)</u>	<u>(948)</u>
Total investment return (loss), net	<u>\$ (163,925)</u>	<u>\$ 105,081</u>

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

**5 RESTRICTIONS ON NET ASSETS**

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

	<u>2022</u>	<u>2021</u>
Mission and Ministry Fund	\$ 119,939	\$ 319,104
Building Fund	-	125,000
Convention Assessments	37,416	69,885
District Schools Scholarship	39,475	10,234
Scholarship Fund	346,061	447,914
District Schools Fund	125,829	152,522
Pastor/Teacher Conference	23	-
Pastors Wives Retreat	232	197
Technology Replacement Fund	3,508	305
Student Loan Repayment Fund	41,220	-
Car Replacement Fund	28,000	24,000
Total Board Designated Funds	<u>\$ 741,703</u>	<u>\$ 1,149,161</u>

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

	<u>2022</u>	<u>2021</u>
Anaconda Mission	\$ 1,296	\$ 960
Campus Ministry Support	1,146	-
Challis Mission	588	-
Circle of Life Lutheran Ministries	2,451	2,442
Crow Lutheran Ministry	2,600	2,192
Disaster Relief	-	14,702
District School Scholarships	-	1,100
Emmaus Lutheran Mission	4,246	3,460
Indian Ministry	60	50
LCEF Grant	1,708	-
Mercy Fund	2,000	5,709
M & M	500	-
Church Worker Scholarship Fund	22,093	18,894
SOTC - Covid-19	28,500	-
Youth Ministry	-	100
MT District School Grants	1,937	4,002
Total Net Assets Released from Restrictions	<u>\$ 69,125</u>	<u>\$ 53,611</u>

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

	<u>2022</u>	<u>2021</u>
Campus Ministry	\$ -	\$ 1,146
Disaster Relief	160	160
Education Ministry	1,273	1,018
Mercy Fund	46,053	44,353
Church Worker Scholarship Fund	190,378	212,471
SOTC-Covid-19	-	28,500
Youth Ministry	50	50
MT District School Grants	-	1,937
Total Net Assets with Donor Restrictions	<u>\$ 237,914</u>	<u>\$ 289,635</u>

NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

**6 LEASES**

The Montana District entered into an agreement to lease office space under an operating lease (right-of-use) spanning 15 years, beginning on occupancy of the leased premises. The agreement maintains fixed annual lease charges for the 15-year duration for a total of \$250,000; these lease charges are not inclusive of utilities and common area maintenance, which the organization pays in variable amounts on a monthly basis, billed by the lessor. The lease payments were applied in two lump sums of \$125,000 each, the first was paid in April 2021 upon groundbreaking for the construction of the future building, and the second was paid in April 2022 upon occupancy of the building. The advanced payments are reflected in the Statements of Financial Position under Right-of-use asset - Operating lease for the year ended December 31, 2022.

Total lease cost for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 12,500	\$ -

The following is the remaining lease term in years for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating lease	14.25	-

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Due to Montana wildfires in June 2021 and flooding in June 2022, the short-term lease entered into with the Billings Lions Club for use of the Red Lodge Billings Lions Club Camp has been applied to June 2023. This lease amount of \$8,775 is recorded on the Statements of Financial Position as a current prepaid expense.

**7 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.

**8 DEFINED BENEFIT PLAN**

The District participates in the Concordia Retirement Plan (CRP) of the Synod. The CRP provides individuals with post-retirement benefits. Substantially all full-time employees are covered by the CRP. Eligible members are vested after five years of creditable service. The Organization contributes a fixed percentage of each participant's salary to the CRP. The CRP contributions as of December 31, 2022 and 2021 were \$11,230 and \$9,991, respectively.

There were no significant changes in the District's relationship to the CRP. There were also no contingent liabilities associated with the CRP at December 31, 2022 and 2021. Currently, the District has no intention to withdraw from the CRP; the District's contributions and level of participation represent a small percentage of the CRP as a whole.



NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

**9 IN-KIND DONATIONS**

Contributed nonfinancial assets recognized in the statements of activities and change in net assets for the years ended December 31, 2022 and 2021 were \$1,616 and \$1,362, respectively. Contributed goods and services are used for program and support services and are recognized at fair value based on current rates.

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.

**10 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 of the LCMS must maintain sufficient resources to meet those responsibilities to its donors. As of December 31, 2022 and 2021, the following table reflects the organization's total financial assets, 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>2022</u>	<u>2021</u>
Cash, cash equivalents, and restricted cash	\$ 921,093	\$ 694,290
Other investments	<u>776,064</u>	<u>1,168,549</u>
Total financial assets at year-end	<u>1,697,157</u>	<u>1,862,839</u>
Less amounts with donor restrictions	(237,914)	(289,635)
Less amounts with Board designations	(741,703)	(1,149,161)
Donor restricted funds expected to be released within one year	41,483	44,150
Board designated funds expected to be released within one year	<u>192,994</u>	<u>335,389</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 952,017</u>	<u>\$ 803,582</u>

**11 UNCERTAINTIES**

The coronavirus pandemic remains an evolving situation. The extent of the impact of the coronavirus on the District and the financial results will depend on the duration and spread of the outbreak. Management is carefully monitoring the situation. No adjustments have been made to these financial statements as a result of this uncertainty.

**12 SUBSEQUENT EVENTS**

The Montana District has evaluated subsequent events through July 19, 2023, the date which the financial statements were available to be issued.