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INTERNAL AUDITOR'S REPORT

Board of Directors
Montana District of
The Lutheran Church—Missouri Synod
Billings, Montana

Opinion

We have audited the accompanying financial statements of the Montana District of The Lutheran Church—Missouri Synod, which comprise the statement of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana District as of December 31, 2025 and 2024, 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.

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 the Montana District 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 the Montana District'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Montana District'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 the Montana District'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.

THE LUTHERAN CHURCH—MISSOURI SYNOD
Internal Audit Department



St. Louis, Missouri
July 27, 2026

MONTANA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and Cash Equivalents	\$ 570,385	\$ 629,484
Accounts Receivable	-	427
Contributions Receivable (Note 5)	17,308	47,494
Property and Equipment - Net (Note 6)	41,853	21,774
Right To Use Asset - Net (Note 9)	187,500	204,166
Long-Term Investments (Note 4)	1,247,984	1,130,316
Beneficial Interests in Perpetual Trusts (Note 4)	<u>153,035</u>	<u>134,560</u>
Total Assets	<u>\$ 2,218,065</u>	<u>\$ 2,168,221</u>
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 16,279	\$ 13,391
Grants Payable to Synod (Note 7)	20,804	15,704
Grants Payable (Note 8)	62,000	-
Deferred Revenue	<u>-</u>	<u>23,127</u>
Total Liabilities	<u>99,083</u>	<u>52,222</u>
Net Assets:		
Without Donor Restrictions (Note 11)	1,732,660	1,736,432
With Donor Restrictions (Note 12)	<u>386,322</u>	<u>379,567</u>
Total Net Assets	<u>2,118,982</u>	<u>2,115,999</u>
Total Liabilities and Net Assets	<u>\$ 2,218,065</u>	<u>\$ 2,168,221</u>

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

MONTANA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 584,663	\$ -	\$ 584,663
Synod	-	25,000	25,000
LCEF (Note 13)	-	42,898	42,898
Other	8,440	119,121	127,561
Revenues -			
Conventions, Conferences, and Workshops	51,753	-	51,753
Net Investment Return and Cash Equivalent Income	155,262	-	155,262
Change in Value of Perpetual Trusts	-	18,475	18,475
Net Gain (Loss) on Property and Equipment Disposals	(1,296)	-	(1,296)
Net Assets Released from Restrictions (Note 12)	<u>198,739</u>	<u>(198,739)</u>	<u>-</u>
Total Support, Revenues, & Other Additions	<u>997,561</u>	<u>6,755</u>	<u>1,004,316</u>
<u>EXPENSES:</u>			
Program Services -			
National and International Missions	59,862	-	59,862
District Missions	541,948	-	541,948
Support Services -			
Synodical Budget	129,888	-	129,888
Management and General	<u>269,635</u>	<u>-</u>	<u>269,635</u>
Total Expenses	<u>1,001,333</u>	<u>-</u>	<u>1,001,333</u>
TOTAL CHANGE IN NET ASSETS	(3,772)	6,755	2,983
NET ASSETS - Beginning of Year	<u>1,736,432</u>	<u>379,567</u>	<u>2,115,999</u>
NET ASSETS - End of Year	<u>\$ 1,732,660</u>	<u>\$ 386,322</u>	<u>\$ 2,118,982</u>

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

MONTANA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>			
Support -			
District Congregations (Note 1)	\$ 573,643	\$ -	\$ 573,643
LCEF (Note 13)	-	43,339	43,339
Other	6,114	39,868	45,982
Revenues -			
Conventions, Conferences, and Workshops	5,058	-	5,058
Net Investment Return and Cash Equivalent Income	97,201	-	97,201
Change in Value of Perpetual Trusts	-	3,542	3,542
Net Assets Released from Restrictions (Note 12)	84,514	(84,514)	-
	<u>766,530</u>	<u>2,235</u>	<u>768,765</u>
Total Support, Revenues, & Other Additions			
<u>EXPENSES:</u>			
Program Services -			
National and International Missions	63,591	-	63,591
District Missions	393,880	-	393,880
Support Services -			
Synodical Budget	143,411	-	143,411
Management and General	187,219	-	187,219
	<u>788,101</u>	<u>-</u>	<u>788,101</u>
Total Expenses			
TOTAL CHANGE IN NET ASSETS	(21,571)	2,235	(19,336)
NET ASSETS - Beginning of Year	1,758,003	377,332	2,135,335
NET ASSETS - End of Year	\$ <u>1,736,432</u>	\$ <u>379,567</u>	\$ <u>2,115,999</u>

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

MONTANA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025

	PROGRAM SERVICES		SUPPORT SERVICES		
	National and International Missions	District Mission	Synodical Budget	Management and General	TOTAL
Subsidies	\$ -	\$ 156,030	\$ -	\$ -	\$ 156,030
Grants, Awards and Other Assistance	28,465	265,050	129,888	-	423,403
Salaries	23,252	71,756	-	120,485	215,493
Employee Benefits	6,778	18,814	-	26,381	51,973
Payroll Taxes	-	939	-	4,461	5,400
Conferences, Workshops, and Meetings	-	10,560	-	8,550	19,110
Conventions	-	-	-	44,520	44,520
Depreciation	-	-	-	4,186	4,186
Amortization of Right To Use Asset	-	-	-	16,667	16,667
Employee Resources and Training	-	-	-	5,343	5,343
Information Technology	837	865	-	12,414	14,116
Insurance	-	1,730	-	6,684	8,414
Ministry Boards and Committees	-	10,722	-	-	10,722
Office Building Expenses	-	-	-	5,233	5,233
Office Expenses	-	-	-	5,487	5,487
Professional Services	-	-	-	9,062	9,062
Travel	530	5,482	-	-	6,012
Other	-	-	-	162	162
Total Expenses by Function	\$ <u>59,862</u>	\$ <u>541,948</u>	\$ <u>129,888</u>	\$ <u>269,635</u>	\$ <u>1,001,333</u>

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

MONTANA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	PROGRAM SERVICES		SUPPORT SERVICES		TOTAL
	National and International Missions	District Mission	Synodical Budget	Management and General	
Subsidies	\$ -	\$ 212,999	\$ -	\$ -	\$ 212,999
Grants, Awards and Other Assistance	40,571	75,418	143,411	-	259,400
Salaries	16,744	51,478	-	97,254	165,476
Employee Benefits	4,615	12,683	-	16,063	33,361
Payroll Taxes	-	656	-	3,997	4,653
Conferences, Workshops, and Meetings	50	14,202	-	8,582	22,834
Conventions	-	-	-	180	180
Depreciation	-	-	-	3,161	3,161
Amortization of Right To Use Asset	-	-	-	16,667	16,667
Employee Resources and Training	-	-	-	5,423	5,423
Information Technology	175	449	-	7,577	8,201
Insurance	104	1,578	-	6,372	8,054
Ministry Boards and Committees	-	15,313	-	-	15,313
Office Building Expenses	-	-	-	4,475	4,475
Office Expenses	-	-	-	6,695	6,695
Professional Services	-	-	-	9,714	9,714
Travel	1,332	9,104	-	-	10,436
Other	-	-	-	1,059	1,059
Total Expenses by Function	\$ <u>63,591</u>	\$ <u>393,880</u>	\$ <u>143,411</u>	\$ <u>187,219</u>	\$ <u>788,101</u>

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

MONTANA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 2,983	\$ (19,336)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,186	3,161
Amortization of Right-To-Use Asset	16,666	16,667
Change in Value of Beneficial Interests in Perpetual Trusts	(18,475)	(3,542)
Net (Gain) Loss on Property and Equipment Disposals	1,296	-
Net (Gain) Loss on Investments	(80,365)	(35,113)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	427	254
Contributions Receivable	30,186	(47,494)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,888	7,789
Grants Payable to Synod	5,100	(1,612)
Grants Payable	62,000	-
Deferred Revenue	(23,127)	23,127
Net Cash Provided (Used) by Operating Activities	<u>3,765</u>	<u>(56,099)</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Fixed Assets	10,928	-
Purchases of Fixed Assets	(36,489)	-
Proceeds from Sale of Investments	84,255	134,195
Purchases of Investments	(121,558)	(187,707)
Net Cash Provided (Used) by Investing Activities	<u>(62,864)</u>	<u>(53,512)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(59,099)	(109,611)
Cash and Cash Equivalents - Beginning of Year	<u>629,484</u>	<u>739,095</u>
Cash and Cash Equivalents - End of Year	<u>\$ 570,385</u>	<u>\$ 629,484</u>

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

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

The Montana District (the District), a religious not-for-profit organization, is one of 35 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 mission and ministry. The Mission of the Montana District is to provide mutual assistance to the congregations of the district, their leaders and pastors, to train God's royal priesthood to worship God, to live the priestly life in the service of the Gospel, and to bring the unbelieving as a gift to God, sanctified by the Holy Spirit.

The District relies on donations from its member congregations for a significant portion of its support. As shown in the Statement of Activities, support from District congregations totaled \$584,663 and \$573,643 for the years ended December 31, 2025 and 2024. 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. Any significant reduction in the level of this support, however, could have an effect on the District's program and supporting activities.

The costs of providing various program and other supporting services have been summarized on a functional basis in the Statement of Activities as follows:

- *National and International Missions* – National and international missions include support of LCMS programs that operate in support of all aspects of the mission of Montana District. This includes, but is not limited to support of seminaries for training up pastors and leaders to serve congregations; support of missionaries called into the international mission field from service in MT District; support for issues related to living a priestly life such as religious freedom, charitable response to disaster, support of the sanctity of life, gathering together with other LCMS parishioners and members across the world in for all these purposes, and more.
- *District Missions* – Supports member congregations, and their parishioners, of the District and rostered members of the District. This support includes, but is not limited to, support to congregational leaders, support ministerial activities such as Sunday School and Vacation Bible School, ministries to parishioners of various ages, education and conferences, activities or ministries that support worship, further sanctification, encourage a priestly life, provide charitable assistance, support evangelism, and more.
- *Synodical Budget* – Includes remittances to the Synod for synodical budget support.
- *Management and General* – Includes various mission/ministry support services such as the District's communication efforts, financial and general activities, the operation/maintenance of District office facilities, and District/Synodical convention expenses.

All of these program and support services include the related program and administration expense associated with that particular function.

The Montana District of the Synod is an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) and, by virtue of a group tax-exempt ruling to the Synod and its component parts, is exempt from federal income taxes. However, any unrelated business income may be subject to taxation. In addition, the District qualifies for the charitable contribution deduction under IRC

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION (Continued)

Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as an organization other than a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the District are described below:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

We use estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates, and those differences could be material.

Principles of Consolidation

The accompanying financial statements include all administrative and program offices or departments of the Montana District. They do not include the assets, liabilities, and operations of the congregations, schools, and other separately administered operations of the Synod within the District's geographic area.

Cash, Cash Equivalents, and Restricted Cash

For financial statement purposes, we consider all cash and highly liquid financial instruments with original maturities of three months or less, which are not held for or restricted by donors for long-term purposes (e.g., for building projects, perpetual endowments), to be cash and cash equivalents. Cash restricted by donors for long-term purposes is shown separately in the Statement of Financial Position.

Investments and Net Investment Return/(Loss)

We record investment purchases at cost, or if donated, at fair value on the date of receipt. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return/(loss) consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses; it is reported in the Statement of Activities based on the existence or absence of donor-imposed restrictions.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected after one year are initially recorded at fair value using present value techniques, incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions/support in the Statement of Activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of current economic conditions, and a review of subsequent collections. Contributions receivables are written off when deemed uncollectible.

Property and Equipment

Property and equipment purchases of \$5,000 or more with an estimated useful life greater than one year are capitalized and recorded at cost, or if donated, at fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. Property held for sale is recorded at the lower of cost or estimated fair value.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from its use and eventual disposition. When considered impaired, an impairment loss is recognized in the Statement of Activities to the extent carrying value exceeds the fair value of the asset.

Beneficial Interests in Perpetual Trusts

We have been named as an irrevocable beneficiary of three perpetual trusts held and administered by the LCMS Foundation. Perpetual trusts provide for the distribution of the net income of the trusts to the District; however, we will never receive the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the Statement of Activities and a beneficial interest in perpetual trust is recorded in the Statement of Financial Position at the fair value of the underlying trust assets, as determined/calculated by the LCMS Foundation. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the Statement of Financial Position, with trust distributions and changes in fair value recognized in the Statement of Activities.

Grants Payable

Unconditional promises to give which have been authorized and communicated to the recipient are reported as liabilities and expenses in the period in which the notification to the recipient occurs. If at the time the promise is made, the District expects to make payment in one year or less, the payable is recorded at net settlement value. Unconditional promises that the District expects to pay in more than one year are reported at fair value, which is measured as the present value of the amounts to be paid.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, gains and losses 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. These net assets may be subject to self-imposed limits by action of the governing board. These board-designated net assets may be earmarked for future programs, contingencies, purchase/construction of fixed assets, or for other uses.

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-imposed restrictions that are temporary in nature 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.

Contributions and Revenue Recognition

Contributions are recognized as support in the Statement of Activities when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash that must be used to acquire long-lived assets are reported as support in net assets with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be maintained, we report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Conditional promises to give are not included as support until the conditions on which they depend have been substantially met and the promises become unconditional. Donated services are reported as support in the Statement of Activities at fair value when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue is recognized when earned. Program and supporting activity fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. The financial statements include certain categories of expenses that are attributable to more than one program and supporting function. Therefore, these expenses require allocation to the programs and supporting services benefited on a basis that is reasonable and consistently applied.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes

We follow the accounting standards for contingencies in evaluating uncertain tax positions. This guidance requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit by the applicable regulatory authority, based on the technical merits of the position. These rules also provide guidance on measurement, recognition, classification, interest and penalties, transition, and disclosure requirements for uncertain tax positions. No liability has been recognized by the District for uncertain tax positions as of December 31, 2025 and 2024.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and financial instruments with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in LCEF notes/certificates. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts and contributions receivable is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from our member congregations or other agencies of the Synod who are supportive of our mission. Investment performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation from year-to-year, we believe the investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

The District has evaluated subsequent events through July 27, 2026, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the 2024 financial statement presentation. These reclassifications, however, had no effect on the previously reported total net assets or total change in net assets.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the District's financial assets at December 31, 2025 and 2024, that are available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date:

	December 31	
	2025	2024
Financial Assets:		
Cash and Cash Equivalents	\$ 570,385	\$ 629,484
Accounts Receivable	-	427
Contributions Receivable	17,308	47,494
Long-Term Investments	1,247,984	1,130,316
Beneficial Interests in Perpetual Trusts	153,035	134,560
Total Financial Assets at Year-End	1,988,712	1,942,281
Less Those Unavailable for General Expenditures Within One Year Due to:		
Donor-Imposed Restrictions	(386,322)	(379,567)
Board Designations	(1,008,137)	(999,364)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 594,253	\$ 563,350

Occasionally, the Board designates a portion of any operating surplus for various purposes, which was \$1,008,137 and \$999,364 at December 31, 2025 and 2024 as disclosed in Note 11. Although these assets are shown in the above table as unavailable for general expenditures within one year, the funds could be drawn upon if necessary in the event of financial distress or an immediate liquidity need.

The District's goal is to maintain sufficient financial assets to meet operating expenses, providing stability in the event that financial circumstances are volatile. The 2026 and 2025 budgeted expenditures are \$918,416 and \$871,746, and as of December 31, 2025 and 2024, the financial assets available for expenditure were \$594,254 and \$563,350, constituting in excess of seven months of budgeted expenditures. As part of its liquidity plan, excess cash is invested in short-term investments, including LCEF certificates and LCMS Foundation common funds. As disclosed in Note 10, the District also has an unsecured line of credit with LCEF which is available to meet cash flow needs.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS

We report certain assets and liabilities at fair value in the accompanying financial statements. Fair value is 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. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. We consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

A fair value hierarchy is used to disclose the measurement of fair value based on the levels of observable or unobservable inputs as follows:

Level 1 Inputs – Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 Inputs – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. Level 2 inputs include assets or liabilities for which quoted prices are available but traded less frequently and assets or liabilities that are fair valued using similar assets or liabilities, the parameters of which can be directly observed.

Level 3 Inputs – Assets or liabilities have little to no pricing observability as of the measurement date. These items are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to our assessment of the quality, perceived risk, or liquidity profile of the asset or liability.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents financial instruments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall, as well as the non-leveled instruments at December 31, 2025:

		Fair Value Measurements Using			Investments
	Total	Level 1	Level 2	Level 3	Measured at
					Cost or NAV
Long-Term Investments -					
LCEF Notes	\$ 267,998	\$	\$	\$	\$ 267,998
LCMS Foundation:					
Agressive Balanced	812,025				812,025
Moderate Balanced	167,961				167,961
	<u>\$ 1,247,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,247,984</u>
Beneficial Interests in -					
Perpetual Trusts	<u>\$ 153,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,035</u>	<u>\$ -</u>

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2025:

	Balance	Net New or	Change	Balance
	12/31/2024	(Matured) Gifts	in Value	12/31/2025
Perpetual Trusts	<u>\$ 134,560</u>	<u>\$ -</u>	<u>\$ 18,475</u>	<u>\$ 153,035</u>

The fair values of beneficial interests in perpetual trusts are based on the fair values of the trust investments as reported by the trustee, the LCMS Foundation. These are considered to be Level 3 measurements.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents financial instruments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall, as well as the non-leveled instruments at December 31, 2024:

		Fair Value Measurements Using			Investments
	Total	Level 1	Level 2	Level 3	Measured at
					Cost or NAV
Long-Term Investments -					
LCEF Notes	\$ 257,371	\$	\$	\$	\$ 257,371
LCMS Foundation:					
Moderate Balanced	872,945				872,945
	<u>\$ 1,130,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,130,316</u>
Beneficial Interests in -					
Perpetual Trusts	<u>\$ 134,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,560</u>	<u>\$ -</u>

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2024:

	Balance	Net New or	Change	Balance
	12/31/2023	(Matured) Gifts	in Value	12/31/2024
Perpetual Trusts	<u>\$ 131,018</u>	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ 134,560</u>

The District uses the net asset value (NAV) per share as a practical expedient to estimate the fair values of investments in LCMS Foundation common funds, which do not have readily determinable fair values. These investments are not classified within the fair value hierarchy as shown in the above tables. All investments measured at fair value based on NAV per share as of December 31, 2025 and 2024, are summarized below:

	2025	2024
LCMS Foundation Common Funds:		
Fair Value	\$ 979,986	\$ 872,945
Redemption Frequency	Daily	Daily
Redemption Notice Period	Daily	Daily

The LCMS Foundation carries out its investment management services through various common funds to invest the assets entrusted to it. A common fund pools the assets of numerous smaller accounts to provide for greater diversification and ease of investment management. Holders of a common fund are called participants; the District is such a participant. Participants buy and sell units of the common fund asset. In order to determine the price per unit of a common fund, all assets held by the common fund (which can include individual securities or units of other common funds) are valued as of the end of the month (the valuation date). This value is divided by the total number of

MONTANA DISTRICT of
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NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS (Continued)

units held by the participants in the common fund to determine the per-unit value. Transactions in the common fund (either purchases or redemptions) are calculated based on the per-unit value on the valuation date.

During the valuation process, the common funds accrue income and expenses for the valuation period. The net income to the funds is divided by the total number of units held by participants for the valuation period to establish the income per unit factor. Each participant receives an allocation of the net income determined by multiplying the income per unit factor times the number of units held by the participant of the common fund. Net realized and termination gains in LCMS Foundation common funds are also calculated and distributed annually to the participants.

The LCMS Foundation Moderate Balanced Fund is a moderate risk investment focused on providing modest income generation with a potential for growth; the portfolio holds both fixed income bonds (50%) and domestic and international equity securities (50%). The Aggressive Balanced Fund is a moderate to higher risk investment focused on the potential for growth with limited income generation; the portfolio holds both fixed income (25%) and equity (75%) securities.

5. CONTRIBUTIONS RECEIVABLE

At December 31, 2025 and 2024, member congregations and other contributors have unconditionally promised to give the District \$17,308 and \$47,494. These amounts were received within one month of the respective fiscal year-end.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	December 31	
	2025	2024
Leasehold Improvements	\$ 10,218	\$ 10,218
Vehicle	36,488	26,399
	<u>46,706</u>	<u>36,617</u>
Less: Accumulated Depreciation	<u>(4,853)</u>	<u>(14,843)</u>
Net Property and Equipment	<u>\$ 41,853</u>	<u>\$ 21,774</u>

7. GRANTS PAYABLE TO SYNOD

We have unconditionally promised to give to the Synod \$20,804 and \$15,704 at December 31, 2025 and 2024. Of the total, \$13,614 and \$11,770 was to complete our annual unrestricted support and \$7,190 and \$3,934 for the Joint Seminary Fund program. These amounts were paid shortly after the fiscal year-end.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

8. GRANTS PAYABLE

In December 2025, The Montana District entered into an agreement promising support of \$62,000 for the Wolf Point/Plentywood/Glasgow Tri parish parsonage purchase and preparation to place in service. This support will be funded through restricted donations to the Wolf/Point/Glasgow Tri Parish Fund and through the 2025 District Convention Resolution 1-02 to reserve 5% of unrestricted congregational giving to this purpose until the parsonage is prepared to place in service. As of December 31, 2025, \$62,000 remains outstanding.

9. LEASE

The District leases certain office space from Christ the King Lutheran Church of Billings, Montana, under an operating lease agreement. The lease agreement has a term of 15 years for a total of \$250,000. The lease payments were applied in two lump sums of \$125,000 each, the first on groundbreaking for the construction of the future building, which occurred in April 2021, and the second on commencement, which took place in April 2022. The lease term began on occupancy of the leased premises. These advanced payments are reflected in the Statement of Financial Position as a right-of-use asset and amortized as rent expense on a straight-line basis in the Statement of Activities over the lease term.

These lease charges are not inclusive of utilities and common area maintenance, which the District pays in variable amounts each month, billed by the lessor.

All lease components of the lease obligation have been satisfied. Accordingly, no liability for future lease payments is recorded. The operating lease has 11.25 years remaining as of December 31, 2025.

At December 31, 2025 and 2024, the building operating lease right-of-use asset is presented in the Statement of Financial Position as follows:

	December 31	
	2025	2024
Operating Lease Right-of-Use Asset:		
Cost	\$ 250,000	\$ 250,000
Less: Accumulated Amortization	(62,500)	(45,834)
Net Operating Lease Right-of-Use Asset	<u>\$ 187,500</u>	<u>\$ 204,166</u>

10. LINE OF CREDIT

LCEF establishes a line of credit for each participating district based on the district's program performance; this line of credit is evaluated and adjusted by LCEF annually in July. As of and for the years ended December 31, 2025 and 2024, we had an unsecured line of credit with LCEF in the amount of \$67,851 and \$64,895. Borrowings under the line would bear interest at the current rate of 5.75% and 5.375%. As of and during the years ended December 31, 2025 and 2024, there were no borrowings against this line of credit.

MONTANA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	December 31	
	2025	2024
Undesignated	\$ 682,670	\$ 715,294
Designated by Board for:		
Church Worker Scholarship Fund	547,486	456,190
Mission and Ministry Fund	189,926	257,573
Montana District School Grants	166,994	147,515
District School Scholarship	29,475	32,475
District Student Loan Repayment Grant	131	-
Wolf Point, Plentywood, and Glasgow Fund	17,184	-
Total District Missions	951,196	893,753
 Car Replacement Fund	10,438	36,000
Convention Fund	41,195	61,638
Techonology Replacement Fund	5,308	7,973
Total Management and General and Fixed Assets	56,941	105,611
 Total Designated by Board	1,008,137	999,364
 Net Investment in Property and Equipment	41,853	21,774
	<u>\$ 1,732,660</u>	<u>\$ 1,736,432</u>

MONTANA DISTRICT of
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NOTES TO FINANCIAL STATEMENTS

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31	
	2025	2024
Purpose Restrictions:		
Education Ministry	\$ 255	\$ 255
Mercy Fund	42,433	48,753
Montana District Church Worker Scholarships	93,449	130,949
Montana District Student Loan Repayment Grant	60,849	45,000
Housing for Pastor in Wolf Point, Plentywood and Glasgow Congregations	36,251	20,000
Youth Ministry	50	50
Total of District Mission	<u>233,287</u>	<u>245,007</u>
Beneficial Interests in Perpetual Trusts	<u>153,035</u>	<u>134,560</u>
	<u>\$ 386,322</u>	<u>\$ 379,567</u>

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose, or by occurrence of the passage of time or other events specified by the donors as follows:

	December 31	
	2025	2024
Satisfaction of Purpose Restrictions:		
Benevolent	\$ -	\$ 8,674
Circle of Life Lutheran Ministry	850	2,696
Crow Lutheran Ministry	1,400	3,446
Disaster Relief	-	160
Education Ministry	-	1,018
Emmaus Lutheran Mission - Butte/Livingston	600	2,596
Indian Ministry Montana District	-	60
Mercy Fund	7,520	-
Mission & Ministry Fund	64	-
Montana District Church Worker Scholarships	37,500	26,329
Redeemer Anaconda Mission	600	1,196
Student Loan Repayment	27,050	38,339
Wolf Point, Plentywood, and Glasgow Fund	123,155	-
Total of District Mission	<u>\$ 198,739</u>	<u>\$ 84,514</u>

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THE LUTHERAN CHURCH—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS

13. SUPPORT FROM THE LUTHERAN CHURCH EXTENSION FUND

Distribution of LCEF Operating Results – Based on LCEF’s annual operating performance, earnings distributions are made available to its partner districts. LCEF operating results are restricted for specific mission and ministry programs of the respective district and are distributed upon request. During the years ended December 31, 2025 and 2024, the District requested and received distributions of LCEF operating results totaling \$42,898 and \$43,339. This distribution is reflected in the Statement of Activities as support from LCEF in net assets with donor restrictions.

14. DEFINED BENEFIT PLAN

The District participates in the worker benefit plans of the Synod, including the Concordia Retirement Plan (CRP). The CRP provides individuals with post-retirement benefits. Substantially all full-time employees (those employed more than 20 hours per week and at least five months per year) are covered by the CRP. Employees are vested after five years of creditable service. We contribute a fixed percentage of each participant’s salary to the CRP. Retirement plan expenses for the years ended December 31, 2025 and 2024, totaled \$17,348 and \$12,189.

There were no significant changes in the District’s relationship to the CRP during fiscal 2025 and 2024. There were also no contingent liabilities associated with the CRP at December 31, 2025 and 2024. Currently, the District has no intention to withdraw from the CRP.