

The Oklahoma District of the Lutheran Church
Missouri Synod

Financial Statements

December 31, 2017 and 2016



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The Oklahoma District of the Lutheran Church – Missouri Synod

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December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Oklahoma District of the Lutheran Church – Missouri Synod

We have audited the accompanying financial statements of The Oklahoma District of the Lutheran Church – Missouri Synod (a non-profit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Oklahoma District of the Lutheran Church – Missouri Synod as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Preston Smith PLLC'.

Tulsa, Oklahoma
October 30, 2018

The Oklahoma District of the Lutheran Church – Missouri Synod
 Statements of Financial Position
 December 31, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,031,008	\$ 915,091
Contributions and other accounts receivable	123,072	88,446
Prepaid expenses	3,178	-
Investment in Lutheran Church Extension Fund	89,438	88,942
Land, buildings, and equipment, net	1,405,301	1,557,762
Funds held by third-party trustees	1,277	1,277
Other investments	4,406	4,933
Total assets	<u>\$ 2,657,680</u>	<u>\$ 2,656,451</u>
Liabilities and Net Assets		
Liabilities		
Accounts and other payables	\$ 29,535	\$ 34,991
Deferred revenue	6,085	-
Loan payable to Lutheran Church Extension Fund	-	137,225
Total liabilities	<u>35,620</u>	<u>172,216</u>
Net Assets		
Unrestricted net assets		
Board designated	8,450	8,450
Net investment in land, buildings, and equipment	1,405,301	1,420,537
Available for program expenditures	<u>521,582</u>	<u>587,986</u>
Unrestricted net assets, total	1,935,333	2,016,973
Temporarily restricted net assets	680,450	460,985
Permanently restricted net assets	<u>6,277</u>	<u>6,277</u>
Total net assets	<u>2,622,060</u>	<u>2,484,235</u>
Total liabilities and net assets	<u>\$ 2,657,680</u>	<u>\$ 2,656,451</u>

The Oklahoma District of the Lutheran Church – Missouri Synod
Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Revenues				
Camp Lutherhoma	\$ 233,475	\$ -	\$ -	\$ 233,475
Lutheran Witness	29,002	-	-	29,002
Interest and investment income	14,536	-	-	14,536
Gain on disposal of assets	251,603	-	-	251,603
Conventions and workshops	75	14,956	-	15,031
Unrealized (losses)	(527)	-	-	(527)
Net assets released from restrictions	<u>104,051</u>	<u>(104,051)</u>	<u>-</u>	<u>-</u>
Total revenue	632,215	(89,095)	-	543,120
Support				
District	729,414	159,468	-	888,882
Camp Lutherhoma	-	149,092	-	149,092
Total support	<u>729,414</u>	<u>308,560</u>	<u>-</u>	<u>1,037,974</u>
Total revenue and support	<u>1,361,629</u>	<u>219,465</u>	<u>-</u>	<u>1,581,094</u>
Expenses				
Synodical budget	<u>201,451</u>	<u>-</u>	<u>-</u>	<u>201,451</u>
Program services				
World and national missions	437,593	-	-	437,593
Camp Lutherhoma	474,617	-	-	474,617
Camp Lutherhaven	41,256	-	-	41,256
Preparing church workers	60,402	-	-	60,402
Congregational services	<u>83,573</u>	<u>-</u>	<u>-</u>	<u>83,573</u>
Total program expenses	<u>1,097,441</u>	<u>-</u>	<u>-</u>	<u>1,097,441</u>
Support services				
Mission and ministry	33,697	-	-	33,697
Program administration	<u>110,680</u>	<u>-</u>	<u>-</u>	<u>110,680</u>
Total support expenses	<u>144,377</u>	<u>-</u>	<u>-</u>	<u>144,377</u>
Total expenses	<u>1,443,269</u>	<u>-</u>	<u>-</u>	<u>1,443,269</u>
Change in net assets	(81,640)	219,465	-	137,825
Net Assets, Beginning of Year	<u>2,016,973</u>	<u>460,985</u>	<u>6,277</u>	<u>2,484,235</u>
Net Assets, End of Year	<u>\$ 1,935,333</u>	<u>\$ 680,450</u>	<u>\$ 6,277</u>	<u>\$ 2,622,060</u>

The Oklahoma District of the Lutheran Church – Missouri Synod
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Revenues				
Camp Lutherhoma	\$ 209,859	\$ -	\$ -	\$ 209,859
Lutheran Witness	29,604	-	-	29,604
Interest and investment income	5,542	-	-	5,542
Gain on disposal of assets	25,082	-	-	25,082
Conventions and workshops	25,882	-	-	25,882
Unrealized gains	548	-	-	548
Net assets released from restrictions	<u>486,355</u>	<u>(486,355)</u>	-	-
Total revenue	782,872	(486,355)	-	296,517
Support				
District	743,314	166,124	-	909,438
Camp Lutherhoma	-	130,703	-	130,703
Total support	<u>743,314</u>	<u>296,827</u>	-	<u>1,040,141</u>
Total revenue and support	<u>1,526,186</u>	<u>(189,528)</u>	-	<u>1,336,658</u>
Expenses				
Synodical budget	<u>200,000</u>	-	-	<u>200,000</u>
Program services				
World and national missions	457,230	-	-	457,230
Camp Lutherhoma	439,620	-	-	439,620
Camp Lutherhaven	30,061	-	-	30,061
Preparing church workers	53,260	-	-	53,260
Congregational services	<u>84,063</u>	-	-	<u>84,063</u>
Total program expenses	1,064,234	-	-	1,064,234
Support services				
Mission and ministry	92,059	-	-	92,059
Program administration	<u>108,497</u>	-	-	<u>108,497</u>
Total support expenses	<u>200,556</u>	-	-	<u>200,556</u>
Total expenses	<u>1,464,790</u>	-	-	<u>1,464,790</u>
Change in net assets	61,396	(189,528)	-	(128,132)
Net Assets, Beginning of Year	<u>1,955,577</u>	<u>650,513</u>	<u>6,277</u>	<u>2,612,367</u>
Net Assets, End of Year	<u>\$ 2,016,973</u>	<u>\$ 460,985</u>	<u>\$ 6,277</u>	<u>\$ 2,484,235</u>

The Oklahoma District of the Lutheran Church – Missouri Synod
 Statements of Cash Flows
 Year Ended December 31, 2017 and 2016

	2017	2016
Operating activities		
Change in net assets	\$ 137,825	\$(128,132)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	95,898	97,675
Gain on disposal of damaged assets	(219,507)	(24,920)
Unrealized (gain) loss on investments	527	(548)
Changes in operating assets and liabilities		
Contributions and other accounts receivable	(34,626)	(54,742)
Prepaid expenses	(3,178)	2,522
Accounts and other payables	(5,456)	19,038
Deferred revenue	6,085	-
Net cash used for operating activities	(22,432)	(89,107)
Investing activities		
Purchase of investments	(496)	-
Proceeds from the sale of advance sites	-	256,826
Proceeds from insurance for damaged assets	293,428	-
Purchase of buildings and equipment	(17,358)	(87,792)
Net cash from investing activities	275,574	169,034
Financing activities		
Payments on loan payable	(137,225)	(16,436)
Net cash used for financing activities	(137,225)	(16,436)
Net change in cash and cash equivalents	115,917	63,491
Cash and cash equivalents, beginning of year	915,091	851,600
Cash and cash equivalents, end of year	\$ 1,031,008	\$ 915,091

See Notes to Financial Statements

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Note 1 – Organization and Nature of Operations

The Oklahoma District of the Lutheran Church – Missouri Synod (the District) is one of 35 geographic districts of the Lutheran Church – Missouri Synod encompassing approximately 80 congregations in the state of Oklahoma. The District is a nonprofit organization which relies on donations from its member congregations and individuals for a significant amount of its support.

The District has several principle activities including: World and National Missions, Camp Lutherhoma and Camp Lutherhaven, Congregational Services, and Mission and Ministry Support Services. World and National Missions includes synodical budget support, mission work, campus ministries, deaf ministries, ethnic ministries, urban ministries, and related conferences and events. Camp Lutherhoma and Camp Lutherhaven both provide a year round outdoor setting to nurture discipleship in all ages while enjoying camp activities and fellowship. Congregational Services include Sunday school activities, confirmation, family life, day care, adult education, singles ministry, elementary and secondary education, and related conferences and events. Mission and Ministry Support Services provides financial and general service activities, the operations and maintenance of District office buildings, and the District’s support of the Lutheran Church Extension Fund (LCEF) efforts. The Oklahoma District of the Lutheran Church – Missouri Synod was incorporated under the laws of the State of Oklahoma on June 19, 1924.

Note 2 – Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the District and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets whose expenditures are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the District or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that such assets be maintained permanently by the District.

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Basis of Presentation, continued

Contributions are recorded when the donor makes a promise to give to the District that is in substance, unconditional. All donor-imposed restricted contributions are reported as increases to temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash Equivalents

The District defines cash equivalents as all highly liquid investments with an initial maturity of three months or less.

Investments

Investments consisting of time deposits invested in certificates maturing over three months from issue date with the Lutheran Church Extension Fund are carried at cost. Investments in marketable securities with readily determined fair values are reported at their fair market value. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets.

Advance sites and property held for sale are recorded at the lower of cost or estimated fair value. Advance sites include land purchased for future church sites or missions to be established by the District, as well as improvements, and all holding costs associated with the property. When the property is transferred to a congregation, the District may be reimbursed for these costs.

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Pledges Receivable

Contributions are recorded in the period that an unconditional pledge is received. The District has elected the fair value option for valuing pledges receivable, as such pledges are recorded at their estimated fair value when received and are revalued annually. All pledges receivable at December 31, 2017 and 2016 are expected to be collected within one year. No allowance for uncollectible pledges has been recorded as management does not foresee any collectability issues based on past experience. Conditional pledges are not included as support until the conditions are substantially met.

Funds held by third-party trustees consist of an irrevocable trust from which the District is to receive the income in perpetuity. The principle is held in trust by the LCMS Foundation. The perpetual stream of income is viewed by the District as a promise to give by the individual who established the trust and has been recorded at the fair value of the trust. Given the nature of the promise, the District has recorded these contributions as permanently restricted net assets. Increases or decreases in the fair value of the trust assets are recorded in the statements of activities as changes in permanently restricted net assets.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, except for property received by gift which is recorded at fair value on the date of receipt. The District reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the District reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Buildings, improvements, equipment, and vehicles are depreciated using the straight-line method over 15 to 25 years for buildings and improvements and over 3 to 10 years for equipment and vehicles. Generally, the District capitalizes land, building, and equipment purchases in excess of \$500 with an estimated useful life of more than one year.

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Concentration of Credit Risk

Occasionally, the District’s cash deposits may exceed the amounts insured by the F.D.I.C. Amounts on deposit with the Lutheran Church Extension Fund (LCEF) are secured by assets of the LCEF, which consist primarily of loans receivable from various other Missouri Synod entities throughout the nation. Although the deposits are not insured by any federal agency, or by private insurance, they are collateralized by real property; therefore, it is not possible to determine the amounts, if any, at risk on December 31, 2017 and 2016. However, the amounts on deposit are adequately diversified and do not represent significant concentrations of market risk.

Income Taxes

The District is included in a blanket tax determination letter received by the Lutheran Church – Missouri Synod; as such under Section 501(c)(3) it is exempt from both federal income taxes and filing requirements. Accordingly, no provision for income tax is included in the accompanying financial statements.

Subsequent Events

The District has evaluated subsequent events through October 30, 2018, the date the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents

As of December 31, 2017 and 2016, cash and cash equivalents consisted of the following:

	2017	2016
Bank of Oklahoma, N.A.		
Interest bearing checking account	\$ 457,923	\$ 221,650
First State Bank, Tahlequah, Oklahoma		
Interest bearing checking account	96,137	85,746
Lutheran Church Extension Fund		
Interest bearing account	474,040	604,801
Temporary investments	2,708	2,694
Petty cash funds	200	200
	\$ 1,031,008	\$ 915,091

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Note 4 – Investment in Lutheran Church Extension Fund – Missouri Synod

Funds invested in certificates maturing over three months from issue date are not considered cash equivalents. As of December 31, 2017 and 2016, the investment included the following deposits:

	2017	2016
Unrestricted funds:		
Variable rate Sixty Month Certificates	\$ 56,480	56,449
Temporarily restricted funds:		
.6250% Rate, Fifteen Month certificate	27,942	27,477
Permanently restricted funds:		
Variable rate Sixty Month Certificate	5,016	5,016
	\$ 89,438	\$ 88,942

Note 5– Fair Value Measurements

Certain assets on the accompanying financial statements are measured at fair value. Generally accepted accounting principles, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is utilized which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Note 5 – Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis at December 31, 2017 and 2016 are as follows:

December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets			
Pledges receivable	\$ -	\$ -	\$ 123,072
Investment in LCEF	89,438	-	-
Other investments	4,406	-	-
Funds held by third-party trustees	-	1,277	-
	<u>\$ 93,844</u>	<u>\$ 1,277</u>	<u>\$ 123,072</u>
December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets			
Pledges receivable	\$ -	\$ -	\$ 88,446
Investment in LCEF	88,942	-	-
Other investments	4,933	-	-
Funds held by third-party trustees	-	1,277	-
	<u>\$ 93,875</u>	<u>\$ 1,277</u>	<u>\$ 88,446</u>
Liabilities			
Loans payable to LCEF	<u>\$ -</u>	<u>\$ 137,225</u>	<u>\$ -</u>

Reconciliation of activity for assets measured at fair value based on significant unobserved (level 3) information:

Balance, beginning of year	\$ 88,446
Pledges collected	(88,446)
New pledges	<u>123,072</u>
	<u>\$ 123,072</u>

Pledges receivable are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. All pledges at December 31, 2017 and 2016 were expected to be collected within one year, thus face value approximates fair value.

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Note 6 – Land, Buildings, and Equipment

At December 31, 2017 and 2016 land, buildings, and equipment consisted of the following:

	2017	2016
Camp Lutherhoma land	\$ 100,000	\$ 100,000
Camp Lutherhaven land	55,338	55,338
Buildings, improvements and equipment:		
Camp Lutherhoma	1,851,248	1,842,381
Camp Lutherhaven	245,610	382,120
Office equipment	25,554	25,554
Total	2,277,750	2,405,393
Accumulated depreciation	(872,449)	(847,631)
Property and equipment, net	\$ 1,405,301	\$ 1,557,762

Depreciation charged to income for 2017 was \$95,898 and for 2016 was \$97,675.

Note 7 - Loans Payable to Lutheran Church Extension Fund

Line of Credit

The District has a \$100,000 unsecured line of credit with the Lutheran Church Extension Fund. On December 31, 2017 and 2016, the District did not have any outstanding advances from the line. The line matures in 2045.

Camp Lutherhaven

In connection with the purchase of the Camp Lutherhaven property, the District borrowed \$265,000 from the Lutheran Church Extension Fund using the land as collateral. Under the terms of the letter agreement, the initial interest rate was 5.625% and maturity date was January 3, 2025.

The balance of the note was paid in full by the District in February 2017.

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

Purpose restriction:	2017	2016
Mission and ministry support	\$ 258,139	\$ 243,578
Camp Lutherhaven	298,464	-
Camp Lutherhoma	123,847	217,407
	\$ 680,450	\$ 460,985

Temporarily restricted funds for Camp Lutherhoma as set forth above include \$0 in 2017 and \$136,167 in 2016 designated for the building fund campaign. The District believes it has adequate liquidity to comply with donor restrictions.

Note 9 – Endowment

The District has an endowment held by the LCMS Foundation with a balance on December 31, 2017 and 2016 of \$6,277. It consists of an irrevocable trust from which the District is to receive the income and the principle is to be invested in perpetuity. The income from the investment is available for expenditure on mission and ministry support.

Note 10 – Concordia Retirement Plan

The District participates in the worker benefit plan of the Lutheran Church – Missouri Synod. Substantially all full-time employees of the District are covered by these retirement and survivor programs. The District contributes a fixed percentage of each participant’s salary to the plan. Retirement and survivor program expenses for the years ended December 31, 2017 and 2016 were approximately \$22,000.

The Oklahoma District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2017 and 2016

Note 11 – Contingencies

The District is contingently liable as a guarantor on certain loans made by the Lutheran Church Extension Fund to congregations under District subsidy. The outstanding indebtedness of these congregations was approximately \$19,000 on December 31, 2017 and \$34,000 on December 31, 2016.