

**NORTH WISCONSIN DISTRICT OF
THE LUTHERAN CHURCH -
MISSOURI SYNOD AND
SUBSIDIARY**

**CONSOLIDATED FINANCIAL
STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2021

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary
Wausau, Wisconsin

Opinion

We have audited the consolidated financial statements of North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on August 19, 2021.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 19 and 20 is presented for additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
April 26, 2022

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN
CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Cash and cash equivalents	\$ 3,839,491
Accounts receivable	34,692
Contributions receivable	330,899
Promises to give, net	216,614
Inventory	27,389
Prepaid expenses	33,489
Investments	3,806,892
Beneficial interest in split interest agreements	227,580
Property and equipment, net	<u>5,081,598</u>
TOTAL ASSETS	<u>\$ 13,598,644</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 20,018
Accrued expenses	106,957
Deferred revenue	144,410
Grants payable	147,537
Funds held in trust for others	<u>62,809</u>
TOTAL LIABILITIES	<u>481,731</u>

NET ASSETS

Without Donor Restrictions	
Board designated	745,283
Invested in property and equipment	5,081,598
Undesignated	<u>1,401,171</u>
Total Without Donor Restrictions	7,228,052
With Donor Restrictions	<u>5,888,861</u>
TOTAL NET ASSETS	<u>13,116,913</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 13,598,644**

The accompanying notes are an integral part of these statements.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE AND SUPPORT			
Contributions from district congregations	\$ 1,856,466	\$ -	\$ 1,856,466
Contributions	895,461	1,242,071	2,137,532
Conventions, conferences, workshops	12,264	-	12,264
Net investment income	26,566	284,430	310,996
Agreements with LCEF	89,952	-	89,952
Camp registration fees	755,896	-	755,896
Rental income	111,467	-	111,467
Other revenue	(12,485)	-	(12,485)
Change in value of split interest agreements	-	(6,264)	(6,264)
Net assets released from restrictions	<u>672,810</u>	<u>(672,810)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,408,397</u>	<u>847,427</u>	<u>5,255,824</u>
 EXPENSES			
Program	2,237,262	-	2,237,262
Management and general	1,418,206	-	1,418,206
Fundraising	<u>60,000</u>	<u>-</u>	<u>60,000</u>
TOTAL EXPENSES	<u>3,715,468</u>	<u>-</u>	<u>3,715,468</u>
CHANGE IN NET ASSETS	692,929	847,427	1,540,356
 NET ASSETS AT BEGINNING OF YEAR	<u>6,535,123</u>	<u>5,041,434</u>	<u>11,576,557</u>
 NET ASSETS AT END OF YEAR	<u>\$ 7,228,052</u>	<u>\$ 5,888,861</u>	<u>\$ 13,116,913</u>

The accompanying notes are an integral part of these statements.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	PROGRAM ACTIVITIES				SUPPORTING ACTIVITIES					TOTAL
	WORLD AND NATIONAL MISSIONS	PREPARING CHURCH WORKERS	CONGREGATIONAL SERVICES	CAMP OPERATIONS	TOTAL PROGRAM	SYNOD SUPPORT	MISSION AND MINISTRY SUPPORT SERVICES	ECCLESIASTICAL AND PROGRAM ADMINISTRATION	FUNDRAISING	
Synod support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,457	\$ -	\$ -	\$ -	\$ 649,457
Personnel	148,017	-	107,404	621,823	877,244	-	112,944	229,036	-	1,219,224
Taxes and fringe benefits	-	-	-	222,755	222,755	-	213,917	-	-	436,672
Building expenses	6,204	-	-	232,188	238,392	-	11,261	-	-	249,653
Computer and equipment	-	-	-	25,031	25,031	-	15,086	-	-	40,117
Operating expenses	7,441	-	11,304	41,965	60,710	-	64,585	16,912	-	142,207
Contracted services	-	-	-	-	-	-	-	-	60,000	60,000
Administration expenses	1,550	-	7,325	3,410	12,285	-	6,995	3,144	-	22,424
Program and office supplies	6,500	-	10,745	266,289	283,534	-	56,305	2,894	-	342,733
Travel and training	1,471	-	29,697	30,957	62,125	-	2,066	22,119	-	86,310
Mission support	84,851	-	-	15,525	100,376	-	-	-	-	100,376
Scholarships	117,450	26,400	-	-	143,850	-	-	-	-	143,850
Depreciation	1,391	-	-	209,569	210,960	-	11,485	-	-	222,445
TOTAL EXPENSES	\$ 374,875	\$ 26,400	\$ 166,475	\$ 1,669,512	\$ 2,237,262	\$ 649,457	\$ 494,644	\$ 274,105	\$ 60,000	\$ 3,715,468

The accompanying notes are an integral part of these statements.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,540,356
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	222,445
Change in value of split interest agreements	108,555
Net realized and unrealized gain on investments	(65,847)
Contribution of endowment investment	(405,871)
Change in NPV discount	2,589
Loss on disposal of assets	17,520
Contributions of stock	(23,895)
Changes in assets and liabilities	
Decrease (increase) in assets	
Accounts receivable	10,388
Contributions receivable	(83,695)
Promises to give	84,026
Inventory	3,995
Prepaid expenses	(199)
(Decrease) increase in liabilities	
Accounts payable	(317,043)
Accrued expenses	(21,705)
Deferred revenue	(66,979)
Refundable advance liabilities	(295,000)
Grants payable	19,822
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>729,462</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(507,428)
Proceeds from sale of investments	23,895
Capital expenditures	(274,453)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(757,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in endowment	<u>405,871</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	377,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,462,144</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,839,491</u>

The accompanying notes are an integral part of these statements.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization - North Wisconsin District of the Lutheran Church - Missouri Synod and Subsidiary (the "District") a nonprofit organization, is one of 35 geographic Districts of the Lutheran Church - Missouri Synod (the "Synod"), encompassing over 216 congregations in northern Wisconsin and the western portion of the Upper Peninsula of Michigan, one camp ministry center, and Camp Luther located in Three Lakes, Wisconsin. 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, services, and support.

A description of the District's programs and supporting service is as follows:

- World and National Missions - World missions include personalized world ministry support. National missions include, but are not limited to, North American new mission work, campus ministries, deaf ministries, ethnic ministries, urban ministries, congregational subsidy, and related conferences and events.
- Preparing Church Workers - Includes financial aid provided to students attending one of the ten colleges/universities or two seminaries of the Synod.
- Congregational Services - Supports District congregational service efforts and includes, but is not limited to, Sunday school activities, confirmation, family life, day care, adult education, outdoor ministry, singles ministry, elementary and secondary education, and related conferences and events.
- Camp Operations - Includes Camp Luther expenses and activities.
- Mission and Ministry Support Services - Includes the District's communication efforts, financial and general service activities, the operation/maintenance of District office facilities, District/Synodical convention expenses, and the District's support of the LCEF efforts.
- Ecclesiastical and Program Administration - Includes activities of the President's office, Vice Presidents, circuit counselors, reconcilers, and related conferences and events, as well as support of the District Board of Directors and its related committees.
- Fundraising - Includes gift planning support of the District.

Basis of Accounting - The consolidated financial statements of the District have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

Consolidation - The accompanying consolidated financial statements include the accounts of the North Wisconsin District of the Lutheran Church - Missouri Synod, and its 100% owned subsidiary, Camp Luther, Inc. (together the "District"). Significant intercompany accounts and transactions have been eliminated.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Basis of Presentation - The accompanying consolidated financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The District is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated purposes.

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 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.

Cash and Cash Equivalents - The District's cash and cash equivalents consist of cash on deposit with banks and the Lutheran Church Extension Fund. For purposes of the statement of cash flows, the District considers all liquid investments with an initial maturity of three months or less to be cash equivalents. However, the District does not consider cash, money market accounts, or certificates of deposits included as investments to be cash equivalents for the statement of cash flows.

Funds Held in Trust for Others - Included in the District's cash and cash equivalents is funds held for others. The District has little or no discretion in determining the use of the assets and is merely a pass through. Therefore, the District accounts for this as an agency transaction on the statement of financial position.

Accounts Receivable - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge of the valuation allowance and a credit to accounts receivable. Management believes all receivables are collectible; accordingly, no allowance has been recorded. Bad debt expense for the year ended December 31, 2021 was \$-0-.

Promises to Give and 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 that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a nominal interest rate applicable to the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through a provision for uncollectible pledge expense from outstanding balances and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give. Management believes all receivables are collectible; accordingly, no allowance has been recorded.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Investments - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Certificates of deposits are carried at cost, which approximates fair value.

The aggregate of (a) the unrealized appreciation (depreciation) in the fair value of investments during the year (b) the realized gains (losses) on sales of investments during the year (c) dividend income (d) interest income, and (e) investment fees are reflected in investment return on the statement of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Dividends are recorded on the ex-dividend date.

Inventory - Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method. Inventory consists of clothing, souvenirs, and food and beverage items for sale at Camp Luther.

Property and Equipment - All acquisitions of property and equipment in excess of \$5,000 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Equipment and furnishings	5 - 10 years
Vehicles	3 - 5 years
Property and other improvements	10-40 years

Valuation of Long-lived Assets - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at December 31, 2021.

Deferred Revenue - Payments received during the year for future programs and registration are deferred and recognized as income when the program occurs.

Revenue Recognition - The District records the following exchange transaction revenue in its statement of activities and changes in net assets:

Program Fees: Program fees consist of revenue from Camp Luther summer youth camps, group retreats, adult retreats, family camps and retreats, and guest groups. The performance obligation is met when an individual attends the camp or retreat. Most camps and retreats are offered as annual events with payment typically required prior to admission to the event or program.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Contribution Recognition - Contributions are recognized when received or unconditionally pledged. Conditional contributions and promises to give, are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Contributions that are not restricted by the donor are reported as an increase in net assets without donor restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grant Recognition - Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant awards that are contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

In-Kind Contributions - The District records the value of donated goods when there is an objective basis to measure the value. Donated goods are reflected as in-kind contribution revenue and donated fundraising items are included in special event revenue in the accompanying statement of activities.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the District. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these consolidated financial statements because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Costs are charged directly to program and supporting services categories as presented. Personnel expenses are allocated based on time and effort. Operating expenses are allocated based on time and materials.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Use of Estimates - Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Tax Status - The District is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the District's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the District qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The District is also exempt from State taxation.

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the District and recognize a tax liability (or asset) if the District has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the District and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The District is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The District will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Subsequent Events - The District evaluated subsequent events through April 26, 2022, the date which the consolidated financial statements were available to be issued.

NOTE 2 - Concentration of Cash and Credit Risk

The District may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The amount of accounting loss that the District would have incurred had the financial institution not been able to return monies in excess of \$250,000 amounted to \$3,323,497 as of December 31, 2021. The District also holds accounts at the Lutheran Church Extension Fund (LCEF), which are neither insured nor collateralized. The District does not require collateral or other security to support deposits subject to this credit risk.

NOTE 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, as of December 31, 2021, comprise the following:

Cash and cash equivalents	\$ 3,839,491
Accounts receivable	34,692
Contributions receivable	330,899
Investments	<u>3,806,892</u>
Total financial assets available within one year	8,011,974
Less amounts not available for general expenditure within one year:	
Net assets with donor restrictions	5,454,324
Board designated net assets	<u>745,283</u>
TOTAL FINANCIAL ASSETS AVAILABLE TO MANAGEMENT FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 1,812,367</u>

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 3 - Liquidity and Availability - Continued

Liquidity Management

The District maintains a policy to maintain two to three months of financial assets, which consist of cash and cash equivalents to cover general expenditures.

To help manage unanticipated liquidity needs, the District has two committed lines of credit of \$1,390,754, which it could draw upon. Additionally, the District has board designated net assets without donor restrictions that, while the District does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 4 - Investments and Split Interest Agreements

The following is a summary of investments as of December 31, 2021:

Cash and cash equivalents	\$ 61
Investments in Foundation	3,806,831
Split interest agreements	227,580
TOTALS	<u>\$ 4,034,472</u>

The District holds split interest gift arrangements that are mainly composed of gift annuities and unit trusts in which the District is one of the beneficiaries. These provide that the annuitants will receive payments for life. At the death of the annuitants, all remaining assets, if any, are directed in accordance with the related agreements.

NOTE 5 - Fair Value Measurements

The District has determined the fair value of certain assets and liabilities in accordance with the provisions of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2021.

Investments in Foundation: Valued at the estimated fair value of the underlying assets of the foundation by reference to quoted market prices and other relevant information generated by market transactions that the entity has the right to receive. These funds are invested in fixed income and equity mutual funds which are valued at the daily closing price as reported by the fund.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 5 - Fair Value Measurements - Continued

Beneficial interest in split interest agreements: Valued at the present value based on life expectancies and discount factors.

The method described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the District believes its valuation method is appropriate and consistent with other market participants, the use of a different methodology or assumption to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value on a recurring basis as of December 31, 2021.

	DECEMBER 31, 2021	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Cash and cash equivalents	\$ 61	\$ 61	\$ -	\$ -
Investment in Foundation	3,806,831	-	3,806,831	-
Beneficial interest in split interest agreement	227,580	-	-	227,580
TOTALS	<u>\$ 4,034,472</u>	<u>\$ 61</u>	<u>\$ 3,806,831</u>	<u>\$ 227,580</u>

The following is a reconciliation of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial Interest in Trust

Balance, beginning of year	\$ 336,135
Unrealized (gain)	(6,264)
Distributions	(102,291)
BALANCE, END OF YEAR	<u>\$ 227,580</u>

NOTE 6 - Promises to Give

The District held a capital campaign to raise funds to build a new community center at Camp Luther. Promises to give were restricted to payment of the costs of building the facility. The aggregate collections of promises to give as of December 31, 2021, are as follows:

Receivable in less than one year	\$ 81,810
Receivables in one to five years	142,704
Total unconditional promises to give	224,514
Less: Discount to net present value	(7,900)
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 216,614</u>

A discount rate of 2% was used at December 31, 2021 on unconditional promises to give.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 6 - Promises to Give - Continued

There is no allowance for uncollectible promises to give as management considers all unconditional promises to give to be collectible.

During 2015, the District received a conditional promise to give of \$775,000. The contribution is contingent on the District reaching fund-raising benchmarks for the Camp Luther community center campaign and the Keweenaw Base Camp campaign. During 2019, the District reached the fund-raising benchmarks in order to recognize \$500,000 of the conditional promises to give. As of December 31, 2021, the District had not reached the fund-raising benchmarks in order to recognize the remaining \$225,000 of the conditional promises to give.

NOTE 7 - Property and Equipment

Property and equipment as of December 31, 2021, consisted of the following:

Land	\$ 299,893
Office building	349,126
Building and improvements - Camp Luther	7,569,947
Campus centers	255,309
Equipment and furnishings	568,570
Vehicles	61,457
Construction in process	<u>151,359</u>
	9,255,661
Less: Accumulated depreciation	<u>(4,174,063)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 5,081,598</u>

NOTE 8 - Funds Held in Trust for Others

At December 31, 2021, "Perpetual Memorial" gifts made to the District totaled \$62,809. The funds are invested with the LCEF, with investment earnings designated by the donors for various Synod related beneficiaries.

NOTE 9 - Paycheck Protection Program (PPP) Loan

The District was granted \$295,000 in loans under the first round of the PPP administered by a Small Business Administration (SBA) approved partner. The loans were collateralized and fully guaranteed by the Federal government. The District initially recorded the loans as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loans no longer existed. The District has recognized \$295,000 as grant revenue for the year ended December 31, 2021.

NOTE 10 - Loan Payable

On October 18, 2019, the District entered into a promissory note with LCEF which allows the District to borrow up to \$1,000,000 to be used for capital improvements. The note matures October 8, 2023 and carries a 4.375% interest rate which is calculated monthly based on the amounts borrowed. The District did not have any borrowings on the promissory note as of December 31, 2021.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 11 - Line of Credit

The District has an unsecured revolving line of credit from the LCEF that matured on June 30, 2021, and was subsequently renewed through June 30, 2022. Interest is charged at a rate of 3.875%. The line of credit allows for an available borrowing limit equal to 5% of the District's net assets as of the date of renewal. The available borrowing limit was \$390,754 as of December 31, 2021. There were no borrowings on the line at December 31, 2021.

NOTE 12 - Net Assets

Included in net assets without donor restrictions are amounts designated by the board as of December 31, 2021, for the following purposes:

Synod programs	\$ 612,003
Camp Luther contingency fund	30,000
Camp Luther improvements fund	103,280
TOTAL BOARD DESIGNATED NET ASSETS	<u>\$ 745,283</u>

Net assets with donor restrictions are restricted as of December 31, 2021, for the following purposes:

Subject to expenditure for specified purpose:	
World and national mission	\$ 150,779
Congregational services	399,163
Preparing church workers	847,527
Scholarships	237,890
Building projects	744,971
Wishlist	76,429
	<u>2,456,759</u>
Subject to the passage of time	<u>627,184</u>
Endowments	
Amount required to be held in perpetuity	2,048,685
Term endowments	272,076
Investment return on endowment, not yet appropriated for expenditure	484,157
	<u>2,804,918</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,888,861</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the year ended December 31, 2021, as follows:

World and national missions	\$ 54,982
Congregational services	105,961
Expiration of time restrictions	11,090
Scholarships	120,448
Building project	124,642
Wishlist	154,613
Endowment releases	101,074
	<u>\$ 672,810</u>

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 13 - Endowment Funds

The North Wisconsin District of the Lutheran Church - Missouri Synod's endowment fund consists of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

Interpretation of the Law - The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent any explicit donor stipulations to the contrary. As a result of this interpretation, the District classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the District in a manner consistent with the standard of prudence prescribed by UPMIFA.

The District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the District and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the District
7. The investment policies of the District

Return Objectives and Risk Parameters - The District has adopted an investment policy that is structured to participate in certificates of deposits and bank demand deposits. Endowment assets include those assets of donor-restricted funds that the District must hold in perpetuity or for a donor-specific period(s). Under this policy, the endowment assets are invested in a manner that attempts to provide consistent real growth of principal. The District expects its endowment funds, over time, to provide average annual rate of return that should meet growth in the consumer price index. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the District relies on a total return strategy in which investment returns are achieved through current yield. The District places a great emphasis on steady and consistent growth with little to no risk.

Endowment Net Asset Composition by Type of Fund as of December 31, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,048,685	\$ 2,048,685
Term endowments	-	272,076	272,076
Accumulated investment gains	-	484,157	484,157
	<u>\$ -</u>	<u>\$ 2,804,918</u>	<u>\$ 2,804,918</u>

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021

NOTE 13 - Endowment Funds - Continued

Changes in Endowment Net Assets for the Year Ended December 31, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,281,899	\$ 2,281,899
Investment return	-	211,555	211,555
Contributions	-	406,762	406,762
Appropriation of endowment assets pursuant to spending-rate policy	-	(95,298)	(95,298)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,804,918</u>	<u>\$ 2,804,918</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the District to retain as a fund of perpetual duration (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that have occurred. The District did not have any such deficiency as of December 31, 2021.

NOTE 14 - Pension Plan

The District participates in the Work Benefit Plans of the Synod. Substantially all full-time employees are covered by these retirement and survivor programs. The District contributes 2% of each participant's salary to the plans. Employer contributions for the year ended December 31, 2021 totaled \$114,859.

NOTE 15 - Agreements With the Lutheran Church Extension Fund

In accordance with agreements dated June 2021 and July 2020, the LCEF agreed to compensate the District for providing facilities and services to LCEF as well as promotion and coordination activities of the church extension program within the District.

The agreements, which are subject to renegotiation each July, require LCEF to pay the District a fixed amount on a monthly basis. The amount received by the District in connection with these agreements during the year ended December 31, 2021, totaled \$89,952, and is reflected in revenue without donor restrictions in the consolidated statement of activities.

LCEF also reimburses the District for certain other stipulated expenses made on behalf of LCEF, which are recorded in accounts receivable activity during the fiscal year.

NOTE 16 - Risks and Uncertainties

COVID-19 Pandemic - During 2021, the world-wide Coronavirus Pandemic impacted national and global economies. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the current and future full impact to the District is not known.

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN
CHURCH - MISSOURI SYNOD
AND SUBSIDIARY**

SUPPLEMENTARY INFORMATION

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

<u>ASSETS</u>	<u>DISTRICT</u>	<u>CAMP LUTHER</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 2,290,932	\$ 1,548,559	\$ 3,839,491
Accounts receivable	34,085	607	34,692
Contributions receivable	330,899	-	330,899
Promises to give, net	-	216,614	216,614
Inventory	-	27,389	27,389
Prepaid expenses	13,096	20,393	33,489
Investments	3,534,766	272,126	3,806,892
Beneficial interest in split interest agreements	227,580	-	227,580
Property and equipment, net	<u>106,821</u>	<u>4,974,777</u>	<u>5,081,598</u>
TOTAL ASSETS	<u>\$ 6,538,179</u>	<u>\$ 7,060,465</u>	<u>\$ 13,598,644</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ 19,736	\$ 282	\$ 20,018
Accrued expenses	84,451	22,506	106,957
Deferred revenue	58,740	85,670	144,410
Grants payable	147,537	-	147,537
Funds held in trust for others	<u>62,809</u>	<u>-</u>	<u>62,809</u>
TOTAL LIABILITIES	<u>373,273</u>	<u>108,458</u>	<u>481,731</u>
 NET ASSETS			
Without donor restrictions			
Board designated	612,003	133,280	745,283
Invested in property and equipment	106,821	4,974,777	5,081,598
Undesignated	<u>1,095,537</u>	<u>305,634</u>	<u>1,401,171</u>
Total without donor restrictions	1,814,361	5,413,691	7,228,052
With donor restrictions	<u>4,350,545</u>	<u>1,538,316</u>	<u>5,888,861</u>
TOTAL NET ASSETS	<u>6,164,906</u>	<u>6,952,007</u>	<u>13,116,913</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,538,179</u>	<u>\$ 7,060,465</u>	<u>\$ 13,598,644</u>

**NORTH WISCONSIN DISTRICT OF THE LUTHERAN CHURCH - MISSOURI SYNOD
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	DISTRICT			CAMP LUTHER			ELIMINATIONS	TOTALS
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL		
REVENUE AND SUPPORT								
Contributions from district congregations	\$ 1,856,466	\$ -	\$ 1,856,466	\$ -	\$ -	\$ -	\$ -	\$ 1,856,466
Contributions	281,137	436,288	717,425	714,324	805,783	1,520,107	(100,000)	2,137,532
Conventions, conferences, workshops	12,264	-	12,264	-	-	-	-	12,264
Net investment income	22,139	257,257	279,396	4,427	27,173	31,600	-	310,996
Agreements with LCEF	89,952	-	89,952	-	-	-	-	89,952
Camp registration fees	-	-	-	755,896	-	755,896	-	755,896
Rental income	-	-	-	111,467	-	111,467	-	111,467
Other revenue	5,035	-	5,035	(17,520)	-	(17,520)	-	(12,485)
Change in value of split interest agreements	-	(6,264)	(6,264)	-	-	-	-	(6,264)
Net assets released from restrictions	270,219	(270,219)	-	402,591	(402,591)	-	-	-
TOTAL REVENUE AND SUPPORT	<u>2,537,212</u>	<u>417,062</u>	<u>2,954,274</u>	<u>1,971,185</u>	<u>430,365</u>	<u>2,401,550</u>	<u>(100,000)</u>	<u>5,255,824</u>
EXPENSES								
Program Services								
World and national missions	474,875	-	474,875	-	-	-	(100,000)	374,875
Preparing church workers	26,400	-	26,400	-	-	-	-	26,400
Congregational services	166,475	-	166,475	-	-	-	-	166,475
Camp operations	-	-	-	1,669,512	-	1,669,512	-	1,669,512
Supporting Activities								
Synod support	649,457	-	649,457	-	-	-	-	649,457
Mission and ministry support services	494,644	-	494,644	-	-	-	-	494,644
Ecclesiastical and program administration	274,105	-	274,105	-	-	-	-	274,105
Fundraising	60,000	-	60,000	-	-	-	-	60,000
TOTAL EXPENSES	<u>2,145,956</u>	<u>-</u>	<u>2,145,956</u>	<u>1,669,512</u>	<u>-</u>	<u>1,669,512</u>	<u>(100,000)</u>	<u>3,715,468</u>
CHANGE IN NET ASSETS	391,256	417,062	808,318	301,673	430,365	732,038	-	1,540,356
NET ASSETS AT BEGINNING OF YEAR	<u>1,423,105</u>	<u>3,933,483</u>	<u>5,356,588</u>	<u>5,112,018</u>	<u>1,107,951</u>	<u>6,219,969</u>	<u>-</u>	<u>11,576,557</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,814,361</u>	<u>\$ 4,350,545</u>	<u>\$ 6,164,906</u>	<u>\$ 5,413,691</u>	<u>\$ 1,538,316</u>	<u>\$ 6,952,007</u>	<u>\$ -</u>	<u>\$ 13,116,913</u>