

2019 ANNUAL REPORT and Offering Circular



Lutheran Church Extension Fund
› where investments build ministry

LETTER FROM OUR CEO AND BOARD CHAIR



Rev. Bart Day
LCEF President and CEO



Rev. Max Phillips
LCEF Board of Directors Chair

Dear Friends in Christ,

We are truly a blessed organization. Lutheran Church Extension Fund (LCEF) emerged from our 2019 fiscal year achieving or exceeding many of the core targets and goals outlined in the prior year. What this means is that LCEF's financial capacity to support the mission of providing resources now and in the future to The Lutheran Church—Missouri Synod (LCMS) and its partners has been strengthened again. Thank you to our investors for making this a reality.

One goal worth noting is that last year LCEF had the good fortune of raising \$100 million in less than four months on a limited-time 40-month note. That amount was based upon current and future loan projections, like home loans for Rostered Church Workers and construction loans for new sanctuaries or fellowship halls.

There is demand overseas for new Lutheran schools and churches, renovations and upgrades and we have the opportunity to support these ministries who bring the light of Christ to the world. Then, there are projects involving senior living communities, preschools, art centers, thrift stores, campus ministries—both conventional and unconventional approaches to loving our neighbors. That demand is not slowing down.

For the investors who fund these opportunities—not only do they enjoy a competitive interest rate, but they get to see that their investments are bringing joy to those who may not know the love of God. This is why, while the goal for the 40-month note was met, the need is still urgent for even more investments. We want to help Lutheran ministries reach their full potential because when that happens, more people are loved and the Gospel is spread.

In other words, LCEF wants to be ready with the funds to help make sure all that potential growth in the name of Christ actually happens and more people are connected with Jesus. That is our commitment to you.

With that thought in mind, we are pleased to share with you the results of another year of strong performance and how we continue to manage our resources wisely. LCEF's success is a testament to your faithfulness and God's generosity. To Him be the glory.

In peace,

A handwritten signature of Rev. Bart Day in black ink.

Rev. Bart Day

A handwritten signature of Rev. Max Phillips in black ink.

Rev. Max Phillips

FINANCIALLY STRONG BECAUSE OF YOU

DID YOU KNOW?

THE CONCEPT: The church extension concept began in 1902 when congregations pooled together \$400 to help Zion Lutheran in Bridgeport, Ct., build a school.

THE HEADQUARTERS: Our office is located in St. Louis, across Interstate 44 from The Lutheran Church—Missouri Synod (LCMS) International Center.

THE LOGO: Inside the circles of the percentage signs are the upturned hands of faithful partners like you.

THE HISTORY: Since 1978, LCEF has had the privilege of being a Christ-centered servant partner with The Lutheran Church—Missouri Synod (LCMS).

Numbers as of June 30, 2019.

\$1.89 BILLION
Total Assets

\$236 MILLION
Net Assets

\$222 MILLION
New Loans Closed

\$1.59 BILLION
Loan Portfolio

\$1.64 BILLION
Investor Payables Portfolio

\$17 MILLION
Net Income

\$2.2 MILLION
Earnings to be Distributed to the LCMS Member Districts and LCMS Ministries

\$962 THOUSAND
Kaleidoscope Fund Grants

\$650 THOUSAND
Congregational Rebates

LOVING OUR MINISTRY PARTNERS BOLDLY

Your investments make it possible for LCEF to develop, sustain and grow relationships with LCMS ministries. This means we can provide the resources congregations, schools, Recognized Service Organizations and Rostered Church Workers need to continue to spread the Good News of Jesus Christ.

Protecting your funds is LCEF's highest priority, which is why we maintain strong levels of liquidity and capital. Our staff honors your trust by providing prudent management of funds and keeps Jesus at the heart of all we do. Your investments make it possible for LCEF to make loans available to support ministry projects throughout the world.

We are committed to working with congregations and other ministries through support services, including ministry planning, congregational stewardship training, leadership coaching and building campaigns. In this annual report, you'll read about how we are creating partnerships that keep the Church strong.

Looking to Jesus, the founder and perfecter of our faith, who for the joy that was set before him endured the cross, despising the shame, and is seated at the right hand of the throne of God.

– Hebrews 12:2

LUTHERAN CAMPS: A SIDE DOOR TO THE CHURCH

While many equate camp with summer fun for children and grandchildren, Don James also values an eternal benefit – the faith building his three sons experienced at their beloved Lutheran camp. James, of Pleasant Plains, Ill., especially appreciates the camp counselors – high school and college students – who served as Christian role models, living out their faith.

“Younger kids look up to older kids, taking seriously what the counselors say. They can see themselves being like them – but they never see themselves being like mom and dad,” said James, whose sons were regulars at Camp CILCA (Central Illinois Lutheran Camp Association).

CILCA was one of many outdoor ministries started across the country by LCMS ministries. The Walther League, Lutheran Laymen’s League and the LCMS Central Illinois District (CID) purchased CILCA’s rustic 225 acres as a place for children and adults, congregations and schools to gather in God’s creation.

SIDE DOOR TO CHURCH

David Vandercar is executive director of Lakeview Ministries, based in Seymour, Ind. He calls Lutheran outdoor ministry an evangelism tool to be used in partnership with LCMS congregations, districts and the national church body.



Dave Vandercar, Lakeview Ministries Director

“We all want kids to grow up and continue in the Church,” said Vandercar. He also points to Lutheran camps as fertile ground for ministry seeds that grow in campers who become pastors and other church leaders. If Sunday worship serves as the front door to the church, a Lutheran camp opens a side door.

Both Camp CILCA and Lakeview Ministries turned to Lutheran Church Extension Fund (LCEF) for guidance and experience on two separate capital campaigns to raise funds to strengthen their outdoor ministries and touch more lives in Christ’s name.

Goals of CILCA’s \$1 million campaign include enlarging and winterizing the camp dining hall for year-round use and providing camp scholarships to children of families in need.

Lakeview Ministries launched a \$2.5 million campaign to improve its three sites. Plans include building a recreation hall, implementing strategic plans at its newest site to focus on family and adult ministry and adding more housing at Lakeview Villages.

Vandercar appreciates that like him, Tim Kurth – LCEF agency vice president who’s working with both Lakeview Ministries and Camp CILCA – is a former Lutheran camper. LCEF “knows why camp ministry is important,” Vandercar said. “When we talk about raising money, it’s not to build facilities, but to build and expand those places where ministry happens.” ■



LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

OFFERING CIRCULAR

\$1,500,000,000

10733 Sunset Office Drive
St. Louis, Missouri 63127
Telephone: 800-843-5233
Current Interest Rates: 800-678-2285

THESE SECURITIES ARE NOT BANK DEPOSITS OR OBLIGATIONS AND ARE NOT INSURED BY THE FDIC OR SIPC OR ANY OTHER FEDERAL OR STATE AGENCY.

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THE FOREGOING STATEMENT AND CERTAIN OTHER PORTIONS OF THIS OFFERING CIRCULAR ARE USED BECAUSE STATE LAW REQUIRES SUCH OF ALL ISSUERS OF SECURITIES, AND THE LANGUAGE USED IS GENERALLY SIMILAR TO THAT USED BY ALL ISSUERS.

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED ON PAGES 9-10 HEREOF.

The date of this Offering Circular is October 1, 2019.

(This Offering Circular is intended to be used by investors from October 1, 2019, through September 30, 2020.)

The following investment obligations (the "Notes") of the Lutheran Church Extension Fund—Missouri Synod are offered under the terms set forth under "Description of Notes" on pages 26-30. Each of the following Notes is offered October 1, 2019.

NOTES

Young Investor ("Y.I.") Stamps

Investment stamps issued for \$1.00.

Dedicated Certificate

A demand certificate with a multitiered minimum balance, and a variable interest rate.

Family Emergency StewardAccount® Certificate

A demand certificate with an initial minimum investment of \$25, a variable interest rate, and required minimum additional direct investments through electronic transfer of \$25 monthly.

StewardAccount Certificate

A demand certificate with a multitiered minimum balance, an initial minimum investment of \$100, and a variable interest rate.

Y.I. StewardAccount Certificate

A demand certificate for children (ages 0-18) with a multitiered minimum balance, an initial minimum investment of \$25, and a blended variable interest rate.

FlexPlus Certificate

A demand certificate with a multitiered minimum balance and a variable interest rate used exclusively for Health Savings Accounts ("HSAs").

Fixed-Rate Term Note

A note having a term of 30, 60 or 90 days, or a term of months ranging between 4 and 120, as made available by LCEF from time to time; an initial minimum investment requirement, and a fixed interest rate.

Floating-Rate Term Note

A note having a term of months ranging between 12 and 120, as made available by LCEF from time to time; a multitiered minimum investment, and a variable interest rate.

Congregation Demand Certificate

A demand certificate with an initial minimum investment of \$100 and a variable interest rate.

Congregation StewardAccount Certificate

A demand certificate with an initial minimum investment of \$100, a variable interest rate, and jumbo multitiered rates.

Congregation Cemetery Care StewardAccount Certificate

A demand certificate with a multitiered minimum balance, an initial investment minimum of \$1,000, and a variable interest rate.

Congregation Fixed-Rate Endowment Certificate

A note having a term of months ranging between 12 and 120, as made available by LCEF from time to time; a three-tiered minimum balance, and a fixed interest rate.

Congregation Floating-Rate Endowment Certificate

A certificate having a term of months ranging between 12 and 120, as made available by LCEF from time to time; a three-tiered minimum balance, and a variable interest rate.

TAX-DEFERRED INVESTMENTS

Certain Notes offered to individuals may be available as investments for Tax-Deferred Plans, such as IRAs, ESAs and HSAs, at such minimum investments to be determined by LCEF. The terms and minimums for such investments are described in the "Description of Notes" on pages 26-30.

The aggregate amounts of the Notes being offered may be sold in any one or more of the offered categories.

This offering is not underwritten, and no commissions or discounts will be paid. LCEF, therefore, will receive 100% of the proceeds from the sale of the Notes and will bear all of the expenses incurred in making this offering.

No sinking fund or trust indenture will be established by LCEF in connection with the issuance of the Notes. Investors, therefore, must rely solely upon the financial condition of LCEF for repayment. All of the Notes are unsecured debts of LCEF, and at this time, LCEF does not contemplate issuing Notes having a higher priority to its assets. However, LCEF reserves the right to do so in the future and LCEF periodically draws upon a line of credit secured by a first lien on its assets, provided that the total amount of senior or secured indebtedness does not exceed ten percent (10%) of LCEF's tangible assets. See "Lines of Credit" on page 23. The Notes are nonnegotiable and may be assigned only upon LCEF's written consent. See "Plan of Distribution" on page 30.

THE OFFER AND SALE OF THE NOTES IS LIMITED TO i) PERSONS WHO, PRIOR TO RECEIPT OF THIS CIRCULAR, WERE MEMBERS OF, CONTRIBUTORS TO, OR PARTICIPANTS IN THE LUTHERAN CHURCH—MISSOURI SYNOD, INCLUDING ANY DISTRICT OR OTHER PROGRAM, ACTIVITY OR ORGANIZATION WHICH CONSTITUTES A PART OF THE SYNOD OR ANY OF ITS DISTRICTS, OR ANY CONGREGATION OF THE SYNOD, OR OTHER PERSONS WHO ARE ANCESTORS, DESCENDANTS, OR SUCCESSORS IN INTEREST TO SUCH PERSONS ("INDIVIDUAL INVESTORS") AND ii) CONGREGATIONS, ASSOCIATIONS OF MEMBER CONGREGATIONS, EARLY CHILDHOOD CENTERS, ELEMENTARY AND SECONDARY SCHOOLS, RECOGNIZED SERVICE ORGANIZATIONS, AND OTHER ORGANIZATIONS AFFILIATED WITH THE SYNOD OTHER THAN SYNODICAL CORPORATIONS, AND OTHER ORGANIZATIONS WHOSE PURPOSES INCLUDE SERVING MEMBERS OF THE LUTHERAN FAITH OR TO CARRY OUT THE PURPOSES OF THE LUTHERAN CHURCH—MISSOURI SYNOD ("ORGANIZATIONAL INVESTORS"). INDIVIDUAL INVESTORS AND ORGANIZATIONAL INVESTORS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS ("INVESTORS"). ANY FIDUCIARY FOR AN INDIVIDUAL INVESTOR SHALL BE DEEMED TO BE AN INDIVIDUAL INVESTOR.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN MADE OR AUTHORIZED BY LCEF.

THE OFFER AND SALE OF THESE SECURITIES HAS NOT BEEN REGISTERED WITH, NOR HAS THIS OFFERING CIRCULAR BEEN SUBMITTED TO OR REVIEWED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

STATE-SPECIFIC INFORMATION

The following states require these additional disclosures:

ALABAMA RESIDENTS - THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CALIFORNIA RESIDENTS - THE OFFERING OF SECURITIES DESCRIBED HEREIN IS AUTHORIZED BY A PERMIT GRANTED BY THE DEPARTMENT OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA. THE DEPARTMENT DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THESE SECURITIES NOR HAS THE DEPARTMENT PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. WHEN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF LCEF AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE NOTES, OR APPROVED, DISAPPROVED OR ENDORSED THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The total amount to be sold in all categories will not exceed \$1,500,000,000 and in California will not exceed \$75,000,000. The maintenance fees described in the "Description of Notes" on page 26 will not apply to any LCEF Note purchased by a California Investor.

FLORIDA RESIDENTS - THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA. THE SECURITIES ARE BEING SOLD PURSUANT TO THE EXEMPTION IN SECTION 517.015(9), F.S. LCEF IS REGISTERED AS AN ISSUER-DEALER IN THE STATE OF FLORIDA, AND ONLY THOSE PERSONS WHO ARE REGISTERED WITH THE DIVISION OF SECURITIES AND FINANCE MAY DISCUSS, OFFER OR SELL THESE SECURITIES.

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KENTUCKY RESIDENTS - THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

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A Registration Statement with respect to the securities offered by this Offering Circular has been filed in the offices of the Pennsylvania Department of Banking and Securities at 17 North 2nd Street, Suite 1300, Harrisburg, Pennsylvania 17101. The telephone number for the Department is 717-787-1854. The Registration Statement includes certain exhibits only summarized or alluded to in this Offering Circular.

These documents are available for inspection at the offices of the Department during regular business hours. The maximum amount of Notes that may be sold in Pennsylvania is \$15,000,000.

Notice of Right to Withdraw

Any Investor who accepts an offer to purchase Notes shall have the right for a period of two (2) business days after such Investor receives a copy of this Offering Circular to withdraw from his/her purchase agreement pursuant to Section 207(m) of the Pennsylvania Securities Act of 1972 and receive a full refund of all monies paid, without interest. Such withdrawal shall be without the Investor incurring any further liability to any person. To accomplish this withdrawal, an Investor need only send a written notice prior to the end of the second business day to LCEF at the address listed on the cover of the Offering Circular, indicating an intent to withdraw. If an Investor chooses to withdraw by letter, it is prudent to send it by registered mail, return receipt requested, to ensure that the letter is received and to evidence the time of mailing. An Investor making an oral request for withdrawal should ask for written confirmation that the request has been received.

SOUTH DAKOTA RESIDENTS - THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SDCL 47-31B-201(7)(B) OF THE SOUTH DAKOTA SECURITIES ACT. NEITHER THE SOUTH DAKOTA DIVISION OF INSURANCE (DIVISION) NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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WASHINGTON RESIDENTS - ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON REQUEST. THE RETURN OF THE FUNDS OF THE PURCHASER IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION. RECEIPT OF NOTICE OF EXEMPTION BY THE SECURITIES DIVISION DOES NOT SIGNIFY THAT THE ADMINISTRATOR HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR HAS THE ADMINISTRATOR PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE OFFER AND SALE OF THE SECURITIES IN WASHINGTON IS LIMITED TO THOSE PERSONS WHO PRESENTLY HOLD INVESTMENT SECURITIES ISSUED BY LCEF.

FORWARD-LOOKING STATEMENTS

Investment in the securities to be issued by LCEF involves certain risks. Prospective Investors are encouraged to review all the materials contained in this Offering Circular and to consult their own attorneys and financial advisors.

This Offering Circular includes “forward-looking statements” within the meaning of the federal and state securities laws. Statements about LCEF and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “pro forma,” “anticipates,” “intends,” “projects,” or other variations or comparable terminology, or by discussions of strategy or intentions. Although LCEF believes that the expectations reflected in its forward-looking statements are reasonable, LCEF cannot assure any Investor that LCEF’s expectations will prove to be correct. Forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, prospective Investors should not consider LCEF’s forward-looking statements as predictions of future events or circumstances. A number of factors could cause LCEF’s actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by LCEF’s forward-looking statements. These factors include, but are not limited to: changes in economic conditions in general and in LCEF’s business; changes in prevailing interest rates and the availability of and terms of financing to fund LCEF’s business; changes in LCEF’s capital expenditure plans; and other factors discussed in this Offering Circular. Given these uncertainties, prospective Investors should not rely on LCEF’s forward-looking statements in making an investment decision. LCEF disclaims any obligation to update Investors on any factors that may affect the likelihood of realization of LCEF’s expectations. All written and oral forward-looking statements attributable to LCEF, including statements before and after the date of this Offering Circular, are deemed to be supplements to this Offering Circular and are incorporated herein and are expressly qualified by these cautionary statements.

Although LCEF believes that the forward-looking statements are reasonable, prospective Investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective Investors should understand that the factors discussed under “**RISK FACTORS**” could affect LCEF’s future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

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DEFINITIONS

<u>Term (and abbreviation, if any)</u>	<u>Explanation</u>
Annual Percentage Yield (“APY”)	This is a method of calculating an interest rate established by the Federal Reserve Board Regulation DD. Although not required, LCEF calculates and discloses this rate for each of its Notes as a convenience to its Investors.
Association of Member Congregations.....	An incorporated association of member congregations of The Lutheran Church—Missouri Synod, which is formed to pursue mutual goals. Examples include high school or elementary school associations and early childhood centers.
Auxiliary Organization	A separately incorporated organization, national in scope, voluntary in membership and participation, formally recognized in the Synod’s bylaws, as an official auxiliary to extend its mission and ministry. Each Auxiliary Organization establishes and develops its own objectives, activities, and programs.
Church Extension Activities	To provide financing and services for the acquisition of sites, the construction of facilities, the purchase of buildings and equipment; operating expenses; rostered church worker education; the residential housing needs of rostered church workers; promoting strategic ministry planning and assisting in capital campaigns; and other purposes approved by LCEF’s Board consistent with the ministry and mission of the Synod under policies approved by the Synod’s Board of Directors and to provide financing for LCEF’s own operations and for distribution of its operating results to its Member Districts, congregations and Corporate Synod, as determined by LCEF’s Board of Directors.
Concordia University System (“CUS”)	A Missouri nonprofit corporation formed to further the purposes of the Synod in providing for the education of ministers, teachers, and other rostered church workers and to coordinate the activities of the Synod’s colleges and universities as a unified synodical system.
Corporate Synod.....	The Lutheran Church—Missouri Synod, the Missouri nonprofit corporation, including the mission boards, commissions, and all other departments operating under the supervision of the Board of Directors of Corporate Synod. “Corporate Synod” is a term to define that portion of the Synod for which Corporate Synod’s Board of Directors has direct responsibility and is not an agency of the Synod.
Cost of Funds (“COF”).....	The weighted average annual rate of interest, determined by LCEF, based upon the interest and other costs payable on or with respect to its Notes, Support Dollars, and other borrowings (e.g., line of credit agreements) as shall be determined by LCEF pursuant to its procedures as in effect from time to time.
District.....	A nonprofit corporation established by the Synod to more effectively achieve its objectives and carry on its activities, usually within a defined geographic area.
District CEF.....	An organizational unit of a District that offers and sells investment obligations primarily to provide funding for loans for construction and other related capital improvements to congregations and related organizations within the District.
Existing Congregation	Used in the “Lending Activities” section, refers to an LCMS congregation that has previously constructed or purchased its first facility for ministry.
Health Savings Account (“HSA”)	An IRS-approved Tax-Deferred Plan that may be opened by an individual Investor who has purchased a high-deductible health insurance plan as defined by those laws and regulations governing Health Savings Accounts.
High School Association	An Association of Member Congregations formed to administer and support an LCMS high school.
Investors	Persons who purchase LCEF Notes who meet the eligibility requirements described on page 2.

Lutheran Church Extension Fund— Missouri Synod (“LCEF”)	A Missouri nonprofit corporation established to further the Church Extension Activities of the Synod on a national basis. See page 11 for a further description.
Lutheran Church—Missouri Synod (“LCMS”) or (“Synod”).....	A national religious denomination that functions through its affiliated corporations in support of its member congregations. See pages 10-11 for a further explanation.
Member District.....	A District that has transferred its Church Extension Activities to LCEF.
New Start Congregation.....	Used in the “Lending Activities” section, refers to an LCMS congregation that has not constructed or purchased its first facility for ministry.
Nonmember District.....	A District that has not transferred its Church Extension Activities to LCEF.
Notes	Demand or term investment obligations (certificates, stamps and notes) issued by LCEF as described in “Description of Notes” beginning on page 26.
Person	An individual, a corporation, a limited liability company, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or other legal entity.
Plan of Consolidation (“Plan”).....	A Plan adopted by LCEF’s Board of Directors that provides for the consolidation of District CEFs with LCEF. This consolidation includes the transfer of each designated District CEF’s assets and liabilities to LCEF.
Recognized Service Organization (“RSO”)	A separately incorporated service organization (other than an Auxiliary Organization) formally recognized by the Synod that extends the mission and ministry of the Synod, but which is not part of the Synod’s constitutional structure. Each RSO establishes and develops its own objectives, activities and programs.
Rostered Church Workers (“RCWs”)	Ordained and Commissioned Ministers of the Synod.
Support Dollars	Demand and term obligations issued by LCEF and held by Synodical Corporations.
Synod CEF.....	A former department of the Synod, which performed Church Extension Activities on a national basis prior to the formation of LCEF.
Synodical Corporations.....	A number of separately incorporated entities affiliated with the Synod including LCMS Districts, LCEF, Concordia University System, colleges, universities and seminaries, a publishing house, the archives, The Lutheran Church—Missouri Synod Foundation and Corporate Synod.
Tax-Deferred Plan.....	Any IRS-approved arrangement by which the Investor may lawfully defer or not pay federal income taxes on the earnings of an investment. Examples include IRAs, Coverdell Education Savings Accounts (“ESAs”) and HSAs and any other IRS-qualified savings plan that allows individual participants to select their own investment vehicle.
Weighted Average Interest Rates.....	This is a method of calculating average interest rates whereby each rate used is weighted or emphasized in direct proportion to its corresponding principal balance.

SUMMARY OF OFFERING

This summary is being provided for the convenience of potential Investors and contains selected information. It does not contain all the information a Person should consider before investing. Therefore, this should be read in conjunction with the more complete information in the Offering Circular, including the audited financial statements.

Operational Summary

1. LCEF is a Missouri nonprofit corporation and is an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. LCEF is a separately incorporated affiliate of Corporate Synod, and the continuation of the Corporate Synod Department of Church Extension that began in 1902 and was responsible for carrying out the Church Extension Activities of the Synod on a national basis.
2. LCEF offers and sells its Notes to eligible Investors to make funds available for loans that are primarily made to various LCMS ministries for the construction and purchase of buildings and equipment and to rostered church workers for residential housing.
3. Notes offered through this Offering Circular bear either fixed or floating interest rates and are either payable on demand or have maturities ranging from thirty (30) days to ten (10) years. Interest payable on such Notes is taxable to the Investor (other than for Tax-Deferred Plans) in the year in which paid or credited to the Investor's account. As more fully described in the "Description of Notes," upon the expiration of the Note's term, Investors may provide for any fixed- or floating-rate term note to be extended for a term equal to the original term (if then offered) at the then current interest rate.
4. Notes issued by LCEF are unsecured and are not FDIC-insured bank deposit accounts, and Investors will be dependent upon the general financial condition of LCEF for repayment of principal and interest.
5. LCEF has a substantial portion of its loans outstanding to congregations and other LCMS member-based organizations.

The ability of each such borrower to repay its loan will generally depend on the amount of contributions it receives from its members. The number of members of each such organization and the per capita contribution has fluctuated in the past and will continue to fluctuate. The collateral value of such loans generally consists of properties used for church, charitable, or educational purposes and may not have a market value equal to the loan amounts.

6. Because LCEF has a unique relationship with its borrowers, efforts to resolve delinquencies are more flexible than those applied by a typical lending institution. The primary means utilized by the LCEF to resolve delinquencies consists of restructuring the delinquent loans in a manner that provides a period of time with reduced payment requirements to provide opportunity to resolve the issues causing the delinquencies.
7. LCEF maintains investment portfolios until funds are disbursed for new loans and to provide resources for operations and for Notes and Support Dollar payments. LCEF's assets invested in readily marketable securities are subject to various market risks. The value of the investments is based on quoted market prices, and investment losses will result from a drop in market prices.
8. LCEF will use the proceeds from the sale of its Notes primarily to carry on Church Extension Activities within the Synod. Additional information about LCEF's Use of Proceeds is presented on page 12.

Financial Summary

Information about certain LCEF selected financial data for the most recent five fiscal years is presented on page 21. For the most recent fiscal year ended June 30, 2019, the financial data is as follows:

(Dollars in Thousands)											
Cash, Cash Equivalents and Investments	Loans Receivable	Not Guaranteed or Secured Loans Receivable		Percentage of Loan Delinquencies in Excess of 90 days	Impaired Loans	Total Assets	Total Notes Payable	Redeemed Notes Payable Exclusive of Demand Notes		Support Dollars Payable	Total Net Assets
		Amount	Percent								
\$290,437	\$1,590,099	\$19,308	1.2%	0.6%	\$76,350	\$1,888,458	\$1,480,755	\$71,766	\$163,160	\$235,726	\$13,135

RISK FACTORS

1. *Unsecured Nonnegotiable Notes.* The Notes will be unsecured obligations of LCEF and are not FDIC-insured bank deposit accounts, and Investors will be wholly dependent upon the general financial condition of LCEF for repayment of principal and interest. No sinking fund or trust indenture has been or will be established. Currently, LCEF does not have secured Investor obligations. However, LCEF reserves the right to issue secured Investor obligations in the future and periodically to draw upon a line of credit secured by a first lien on its assets. See “Lines of Credit” on page 23. No public market exists for the Notes, and none will develop. The Notes are nonnegotiable and may be assigned only by LCEF’s written consent.

2. *Note Redemption.* Interest and principal payments on all of LCEF’s Notes are made primarily from the amounts received from the principal and interest payments on its outstanding loans. LCEF’s past experience has been that Investors have renewed or reinvested more than 80% of the amounts invested in LCEF Notes at maturity. If future repayment demands exceed the historical average, LCEF may have to rely on other sources of funds. The need to utilize such alternative funds to meet principal payments on outstanding Notes payable over an extended period could affect LCEF’s financial condition.

3. *Interest Rate Decrease.* Upon maturity of a Note, if the Investor does not elect to redeem the Note, the Note generally will be renewed automatically upon the interest terms set out in a notice provided by LCEF. If LCEF’s offered interest rates have declined from the date of the original Note through the maturity date, an Investor will receive a lesser interest rate return on the renewed Note.

4. *Charitable Deduction/Taxable Interest.* The purchase of a Note will not entitle the Investor to a charitable deduction for federal or state income tax purposes. Interest paid or payable on the Notes will be taxable as ordinary income to an Investor, regardless of whether the interest is paid out or retained and compounded. See “Tax Aspects” on page 30.

5. *Changes in Laws.* Changes in the laws of the various states in which LCEF offers its Notes may make it more difficult or costly for LCEF to offer and sell such Notes in the future. LCEF does not believe that the continued sale of its Notes will be necessary to service its Notes. However, a decrease in the sales of its Notes could affect LCEF’s ability to meet such obligations if it did become necessary to rely on these sales.

6. *Unique Borrowers.* The relationship of LCEF to its borrowers cannot be compared to that of a normal commercial lender. Because of the unique relationship to its borrowers, LCEF’s loan eligibility and approval criteria may be more flexible than might be applied by a typical lending institution. In view of its relationship to its borrowers, LCEF also may be willing to accept partial, deferred, or late payments as well as extend the original terms of the loans. See “Delinquent and Impaired Loans” on page 18.

7. *Loan Repayments.* LCEF has a substantial portion of its loan portfolio outstanding to congregations and Associations of Member Congregations. The ability of each borrowing congregation or Association to repay its loan will generally depend upon the amount of contributions it receives from its members. Accordingly, a primary factor in LCEF’s loan approval process is the history of contributions to the borrowing entity. The number of members of each congregation and the per capita contribution has fluctuated in the past and will continue to fluctuate. Contributions may decline for a variety of reasons, including but not limited to the general impact of a softening economy, increased job losses or other economic difficulties encountered by church members, and/or a decline in the business prospects of donors. These factors are reflected in the June 30, 2019 amount of impaired loans. See page 19 for additional details. To the extent that a congregation or Association granted a loan experiences a decrease in revenues, payments on that loan may be affected adversely. A secondary factor in loan approvals is the value of the collateral security for the loan, it being understood that while loans are generally secured by first mortgages on the borrowers’ properties, such properties are improved for church, charitable or educational uses and may or may not have a market value equal to the amounts loaned. At June 30, 2019, loans to congregations and High School Associations totaled \$1,104,861,000 representing 69.5% of total outstanding loans receivable. For material loans to a single borrower in this category, refer to “Material Loans” on page 17.

8. *RCW Loans.* RCW loans are made primarily for residential housing needs. As of June 30, 2019, the amount of these loans totaled \$128,037,000, representing 8.1% of total outstanding loans receivable. Residential housing loans are secured by real estate and at June 30, 2019, totaled \$122,515,000, representing 95.7% of total RCW loans. If the loans secured by real estate are made on high loan-to-value ratios and/or housing prices decline, in the event of foreclosure, the real estate securing the loans may not be sold in amounts sufficient to cover the loan balances.

9. *Concordia University System, Seminaries and Colleges.* Corporate Synod subsidizes Concordia University System and the operations of its seminaries. Corporate Synod also guarantees approximately 9.0% of LCEF’s loans to Concordia University System and to colleges and universities. Therefore, repayment of these amounts is dependent upon the financial condition of each institution and Corporate Synod. In the past years, Corporate Synod has borrowed funds, including from LCEF, to assist Concordia University System and its universities in meeting their debt obligations. Corporate Synod and Concordia University System have identified cash flows to service the outstanding debt to LCEF. However, deficiencies in these future cash flows may require Corporate Synod to borrow funds to assist these institutions in making timely repayment to LCEF. At June 30, 2019, loans to Concordia University System,

its universities, and seminaries totaled \$110,861,000, representing 7.0% of total outstanding loans receivable. For material loans to a single borrower in this category, refer to “Material Loans” on page 17.

10. *Guarantees.* LCEF has guaranteed in various forms the indebtedness of one entity related to the Synod. LCEF accounts for these guarantees as off-balance sheet transactions. Such guarantees as of June 30, 2019, are described in Note I in the audited financial statements. The borrowing institutions are required to repay the principal and interest to the outstanding creditors, primarily banks providing letters of credit to the tax-exempt bondholders. The ability of these institutions to repay depends on their managements’ capability to effectively and efficiently manage their operations. To the extent that one or more of these institutions are not able to make their debt service payments when due per the terms of the guarantees, LCEF will be required to pay the banks to meet these obligations. These borrowings are primarily supported by annually renewable letters of credit. If the financial institutions decline to renew these letters of credit, and the borrower is unable to obtain a replacement letter of credit from another financial institution, or, if the holders of the outstanding bonds tender them for redemption and the bonds are unable to be re-marketed, LCEF may be required to pay the financial institutions for amounts drawn on the letters of credit to repay the holders of the currently outstanding tax-exempt bonds. The maximum undiscounted payments of these outstanding guarantees as of June 30, 2019, totaled \$5,231,000. For additional information, including information relating to the security for the repayment of these obligations, refer to Note I in the audited financial statements.

11. *District Loans.* A portion of the loans are to congregations subsidized by the Districts. Therefore, LCEF is dependent on the financial condition of the Districts for repayment of loans to subsidized congregations and loans to Districts. At June 30, 2019, 17.0% of the loans to Districts were unsecured and totaled \$704,108, representing 0.04% of total outstanding loans receivable.

12. *Social Agency Loans.* A portion of the loans are to social agencies in which the ability to repay depends on their managements’ capability to effectively and efficiently manage their operations. In addition, certain of these social agencies may be dependent on various governmental agencies for a portion of their revenue. To the extent such funding is reduced, payments on loans may be adversely affected. At June 30, 2019, loans to social agencies totaled \$171,620,000, representing 10.8% of total outstanding loans receivable. For material loans to a single borrower in this category, refer to “Material Loans” on page 17.

13. *Variable Interest Rate Notes.* The interest rate may be changed on a daily basis on all Notes issued with variable interest rates. LCEF reserves the right upon 30 days’ written notice without the need to issue a supplement to the Offering Circular to change the method of calculating the interest rate on all such Notes having a variable interest rate.

14. *Pre-Maturity Redemptions.* LCEF is not required to redeem any Note prior to its maturity. However, as a matter of policy and practice, it has redeemed Notes at the request of Investors upon a showing of need. LCEF anticipates that it will continue to do so, although there can be no assurance that it will continue this practice. When LCEF agrees to redeem a Note, interest penalties may apply as described on page 27.

15. *Market Risk.* LCEF’s assets invested in readily marketable securities are subject to various market risks. The value of the investments is based on a quoted market price, and investment losses will result from a drop in market values.

HISTORY

Introduction

LCEF was formed to finance the acquisition of sites and the building of facilities, which expand programs of ministry, witness, outreach, and service of the Synod.

The Lutheran Church—Missouri Synod

Founded in 1847, the Synod consists of approximately 5,900 member congregations that have joined together to carry out their commonly adopted objectives. The Synod, by baptized membership, is the 11th largest Protestant denomination and the second largest Lutheran denomination in the United States. It is served by 9,600 clergy and 15,200 educators.

The Synod functions through a number of separately incorporated Synodical Corporations to support the member congregations in local ministries. For this purpose, the Synod has authorized the formation of 35 districts as separate legal entities. It also has formed, as separate nonprofit corporations, 10 educational institutions, Concordia University System, a publishing house, a foundation, church extension programs and its archives. The Synod does not consolidate the financial information of these separate corporations into its financial statements.

HISTORY, Continued

Throughout the history of the Synod, an active and growing mission program has been one of its principal purposes. As the congregations of the Synod became involved in mission expansion, financial resources were necessary to permit acquisition of sites and construction of church facilities. To meet this need, the Synod established a Board for Church Extension that was responsible for both conducting Church Extension Activities on behalf of the Synod through the operation of the Synod CEF and establishing policies for, reviewing the operations of, and providing assistance and support to Districts undertaking their own Church Extension Activities.

Lutheran Church Extension Fund—Missouri Synod

LCEF was incorporated on June 15, 1978, as a Missouri nonprofit corporation. LCEF's principal office is located at 10733 Sunset Office Drive, Suite 300, St. Louis, Missouri 63127. LCEF is the incorporated continuation of the Synod CEF that began in 1902. LCEF is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is exempt from federal income tax on its related exempt activities under code Section 501(a). LCEF is specifically included in the group exemption ruling issued by the Internal Revenue Service to LCMS.

In the past, each District had operated its own CEF, and together with the Synod CEF, they collectively met the Church Extension needs of the Synod. As of June 30, 2019, 31 of the 35 Districts have consolidated their Church Extension Activities with LCEF in accordance with the Plan. See Note J in the audited financial statements. Each of these Member Districts has a designated representative who is an LCEF Vice President who in turn is responsible for coordinating LCEF activities within his or her District. This includes the approval for certain congregations, groups, and projects to receive loans. This activity also consists of arranging for LCEF to provide a current Offering Circular and other information to persons interested in acquiring Notes issued by LCEF.

OPERATIONS

The Offering

LCEF anticipates that it will issue up to \$1,500,000,000 of its Notes throughout the 50 states and the District of Columbia during the 12-month period ending September 30, 2020. The Notes will not be specifically secured by particular loans to specific borrowing entities or by any other LCEF assets. The maximum amount that may be sold in the District of Columbia and each state other than Pennsylvania is \$75,000,000. The maximum amount that may be sold in Pennsylvania is \$15,000,000.

Organization

As a Synodical Corporation, LCEF is subject to the constitution and bylaws of the Synod and is governed by LCEF's articles of incorporation and bylaws. See "Management" on page 32 for more information.

Principal Activities

Lending

LCEF's primary purpose is to make funds available for Church Extension Activities and to provide services in support of these activities to aid in the expansion of ministry, witness, and outreach of the LCMS. Currently, these Church Extension Activities include providing financing and services for operations, the acquisition of sites, the construction of facilities, the purchase of buildings and equipment, and the residential housing needs of Rostered Church Workers. LCEF makes loans to congregations, Associations of Member Congregations, RSOs, RCWs, CUS and other Synodical Corporations and Auxiliary Organizations.

Ministry Support

LCEF provides a number of ministry support services to its borrowers, CEF Districts and other Synod-related entities in support of Church Extension Activities. The Capital Funding Services ("CFS") ministry provides fund-raising services, and the Laborers For Christ program provides a low-cost building option. Other available services include demographic studies and their interpretation; Strategic Ministry Planning; Pastor Coaching; and architectural, real estate and building consultation. For more information regarding services, please visit www.lcef.org.

USE OF PROCEEDS

LCEF will use the proceeds from the sale of its Notes primarily to carry on Church Extension Activities within the Synod. LCEF also uses a portion of the proceeds to provide an amount of cash and investments to fund operating expenses and loan disbursements for the next twelve (12) months and to provide financial resources in the event higher than historical demand for redemption of investor payables occurs. See “Liquidity” on page 23. Loans are made to congregations, Associations of Member Congregations, RSOs, CUS and other Synodical Corporations, Auxiliary Organizations of the Synod, and to Rostered Church Workers. Funds not immediately used by LCEF for loans or operating expenses may be invested in short-, intermediate- and long-term interest-bearing obligations, equity and other investments.

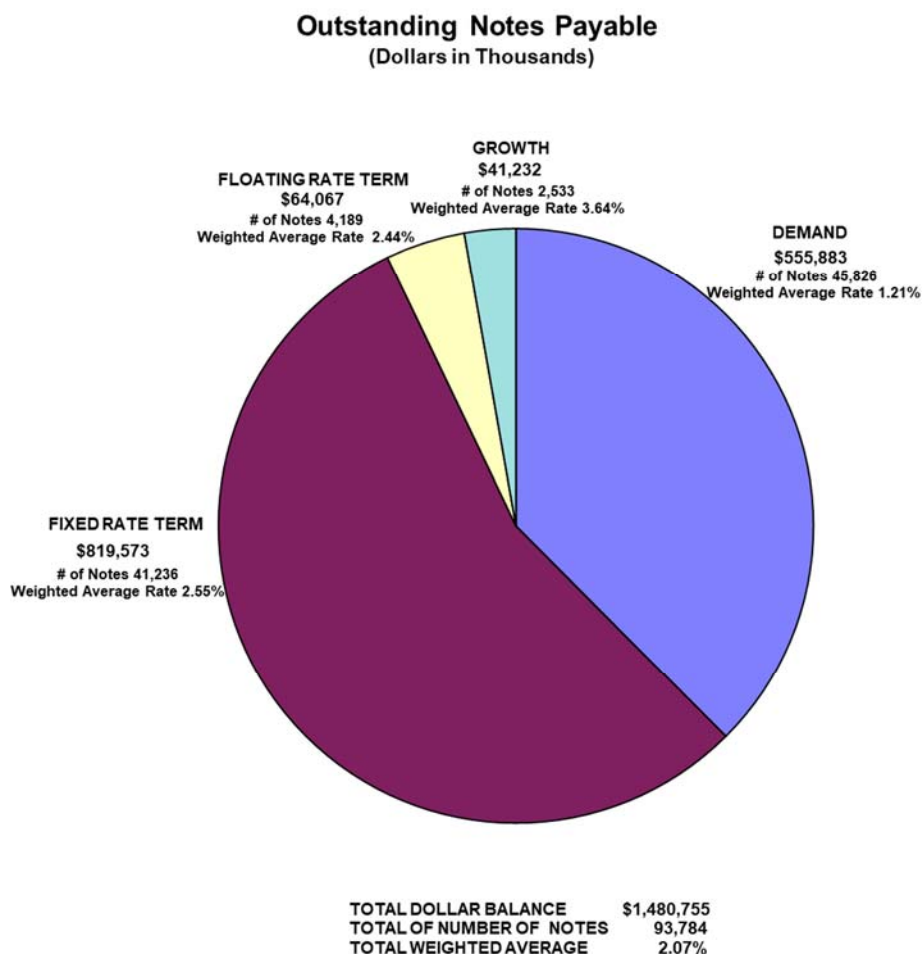
LCEF does not anticipate that it will require the proceeds of this offering to meet interest or principal payments on the outstanding term Notes and term Support Dollar Notes payables. However, if payments from LCEF’s loan receivables are less than anticipated, it may be necessary to use a portion of the proceeds to meet these requirements. In addition, LCEF does not anticipate that it will require the proceeds of this offering to make payments, if required, on any of its guarantees to third parties. However, if such payments cannot be made from net cash provided by operating activities, it may be necessary to use a portion of the proceeds.

Upon approval of LCEF management, a distribution of earnings may be paid as grants to Corporate Synod and its congregations and Member Districts for church extension-related activities. Additional grants may also be paid by LCEF’s management as a distribution of earnings or a distribution of gifts received by LCEF, to other nonprofit entities affiliated with the Synod and RSOs, under policies approved by LCEF’s and Corporate Synod’s respective Boards of Directors. Any such distributions or grants are paid from earnings or gifts received only, if any, and are not paid out of the proceeds from the sale of Notes.

FINANCING AND OPERATIONAL ACTIVITIES

Outstanding Notes Payable

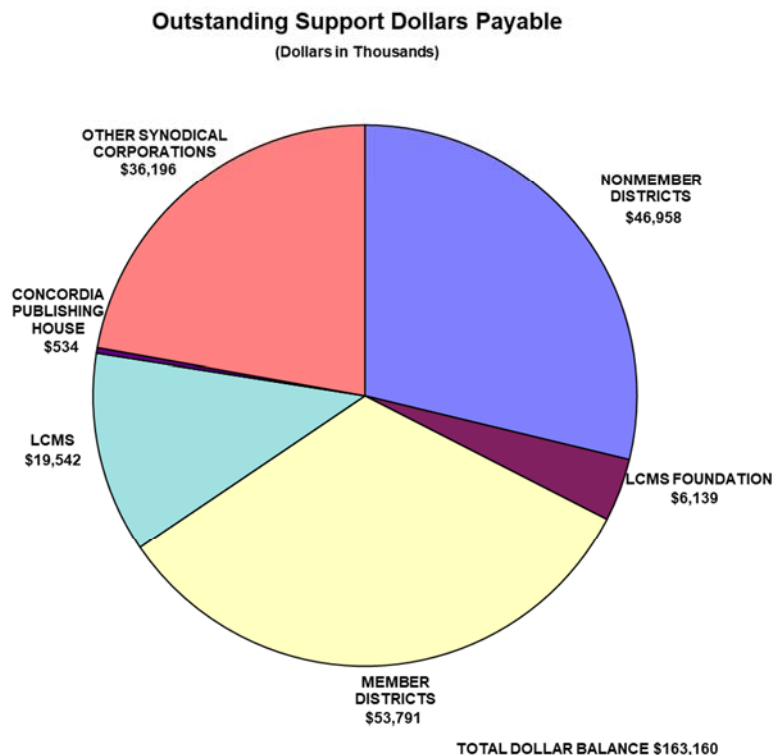
LCEF’s primary means of generating funds for Church Extension Activities is through the sale of its Notes. The following pie chart sets forth for each class of Note grouping its principal balance in thousands of dollars, number of Notes outstanding, and Weighted Average Interest Rates at June 30, 2019:



FINANCING AND OPERATIONAL ACTIVITIES, Continued

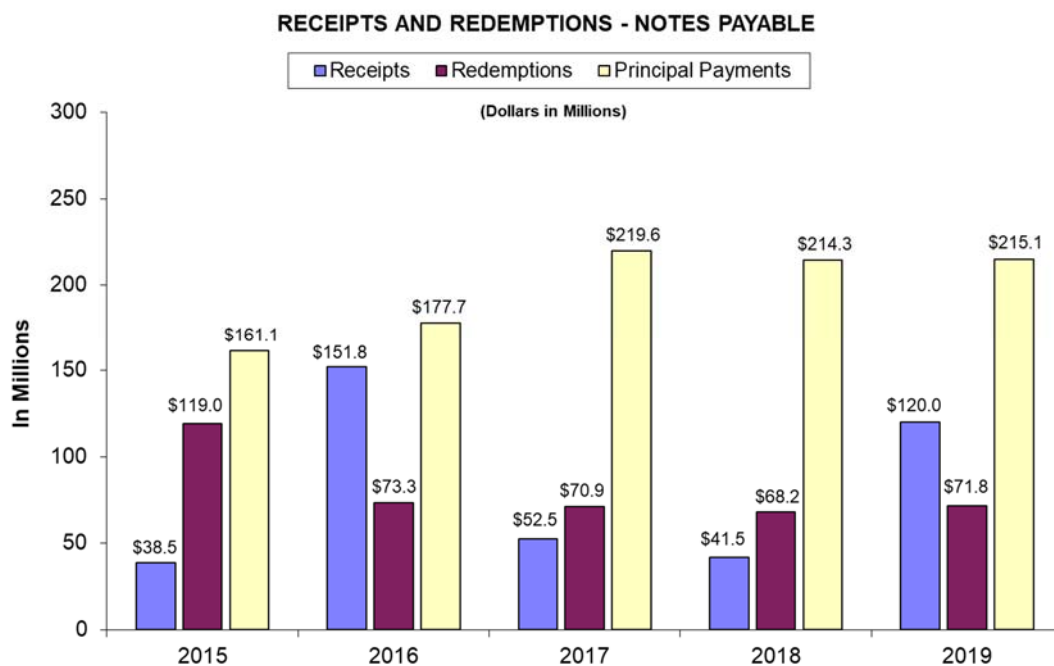
Outstanding Support Dollars Payable

Additionally, LCEF maintains account balances for Synodical Corporations, which are entitled Support Dollars. These Support Dollars are held on either a demand or term basis, and the Weighted Average Interest Rate payable on the total was 1.93% as of June 30, 2019. The following pie chart describes in thousands of dollars how much was held by each type of Synodical Corporation as of June 30, 2019:



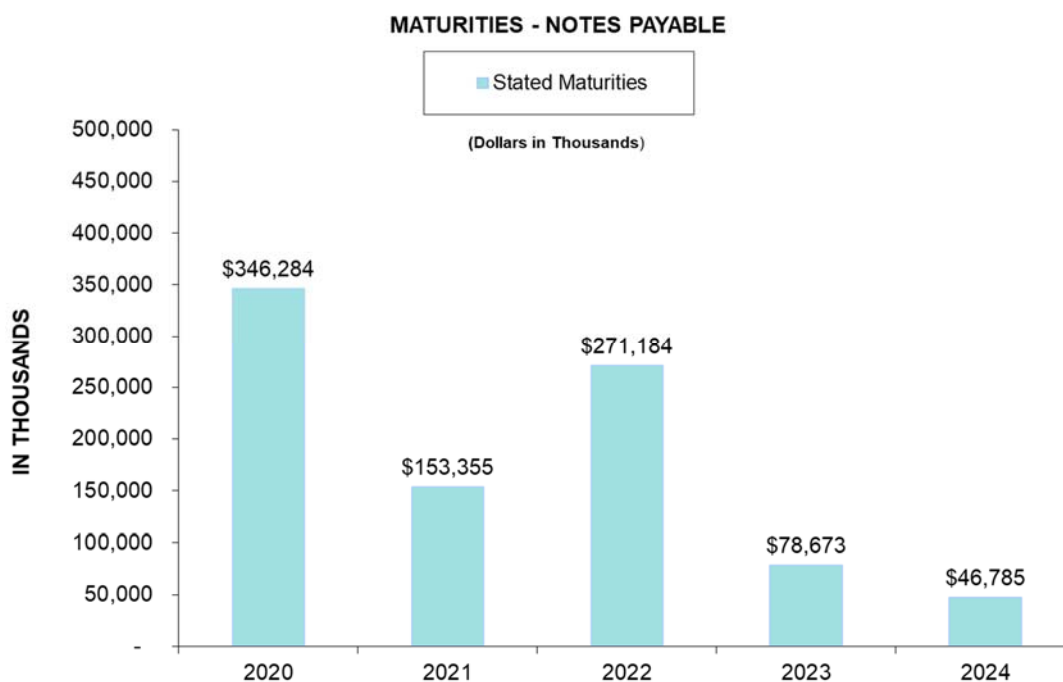
Receipts and Redemptions—Notes Payable

The following bar graph provides a history, exclusive of demand Notes, of receipts (sales) and redemptions of Notes payable for the most recent five fiscal years. Also included for each fiscal year are the principal payment amounts received on the Loans receivable, which historically have been the primary source of funding redemptions of term Notes.



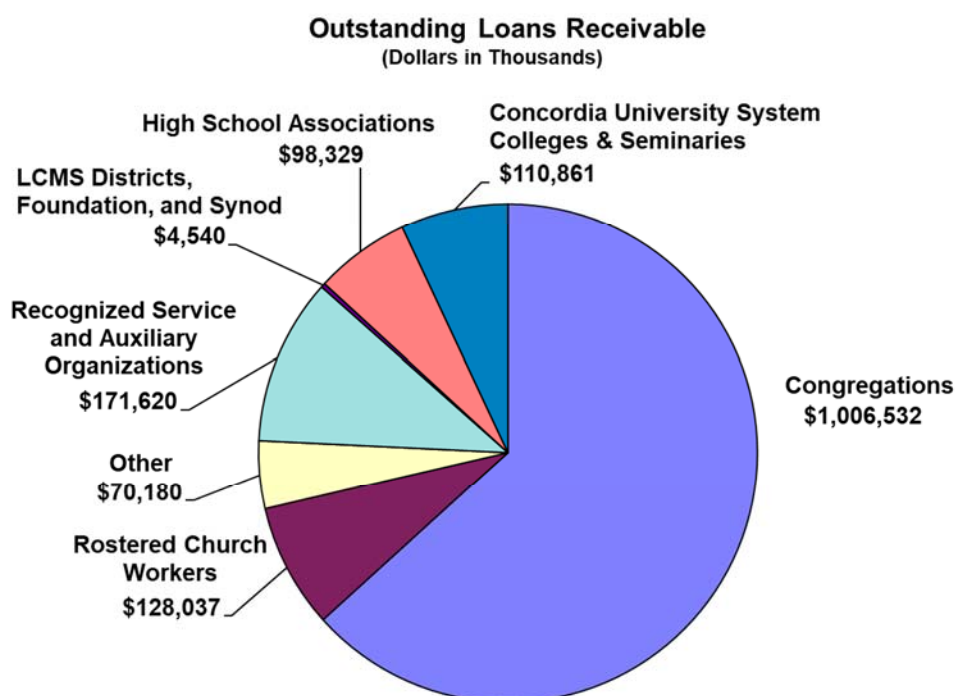
Maturities—Notes Payable

The following graph displays for the next five (5) fiscal years, exclusive of demand, the stated maturities of Notes payable at June 30, 2019. LCEF anticipates that the actual cash redemptions from these maturities will be close to its five-year average historical experience, which is 31.4%. If so, LCEF believes that it will be able to pay these redemptions primarily from repayments of loan principal expected to be received for the same periods. However, past experience does not predict future performance. See “Risk Factor 2” on page 9. The graph below does not take into account maturities of Notes issued after June 30, 2019. See Note H in the audited financial statements for the Notes payable schedule of maturities.

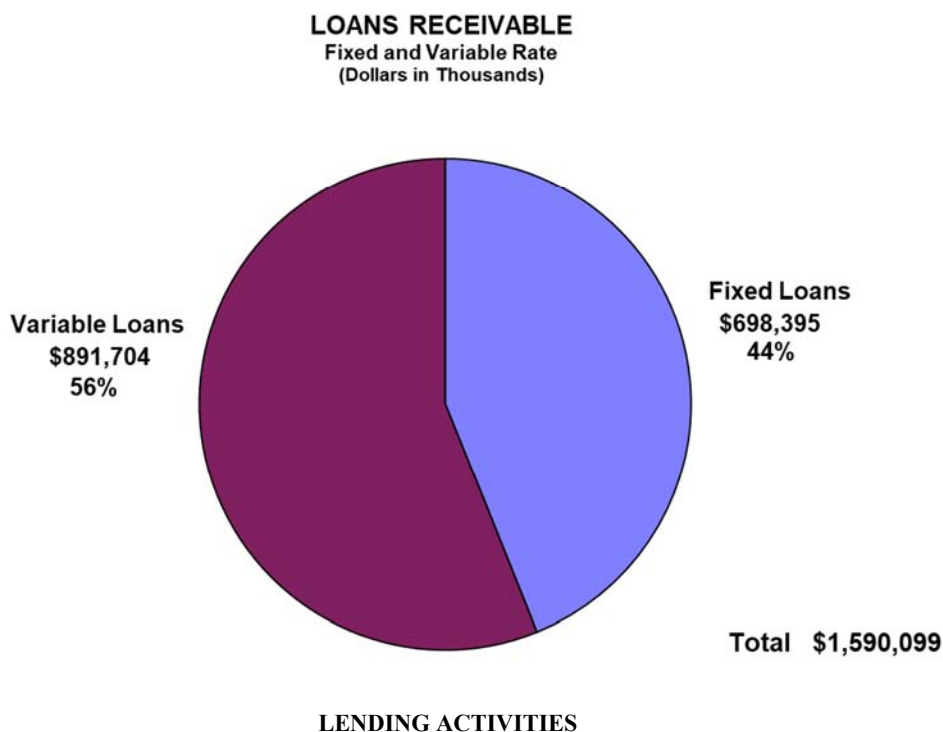


Outstanding Loans Receivable

The Weighted Average Interest Rate on LCEF’s loan portfolio as of June 30, 2019 was 3.90%. The amount of LCEF’s total loans receivable as of June 30, 2019, was \$1,590,099,000, and the primary types of borrowers and their respective balances in thousands of dollars are presented in the following pie chart:



LCEF's loan portfolio consists of loans that are written on interest rate terms that are either variable or fixed. Variable rate loans adjust monthly, quarterly, or annually. The remaining loans are written on a fixed-rate basis primarily for terms of five or ten years. The amount of LCEF loans that are written on a variable versus a fixed rate of interest as of June 30, 2019, are presented in the following pie chart:



Introduction

Loans are made to congregations, Associations of Member Congregations, RSOs, CUS, other Synodical Corporations, Auxiliary Organizations of the Synod ("Organizational Borrowers"), and to Rostered Church Workers. Loans to Organizational Borrowers are made to provide financing for operations, real estate acquisition, construction, renovation and relocation. Such loans also may include lines of credit and short-term loans for project start-up and soft-cost expenses. LCEF also may provide Organizational Borrowers a portion of the loan amount in participation with other lenders. Loans made to Rostered Church Workers are for residential housing needs or home equity loans. LCEF may also assist eligible borrowers in obtaining access to tax-exempt funding sources for qualified capital projects. For a description of these activities, refer to "Access to Tax-Exempt Funding Sources" on page 18.

Underwriting

Organizational Borrowers

In determining eligibility for loans, LCEF considers a borrower's outstanding indebtedness, prior and projected financial performance, and comparison of anticipated revenues to debt repayment requirements. Currently, LCEF reviews at a minimum, the following factors of congregations that apply for loans: (i) debt per giving unit, (ii) total debt capacity, (iii) percent of total project cost to be raised by contributions in a three-year period, (iv) current income divided by current expenses, (v) average cash flow divided by projected debt service, (vi) total debt to projected revenue, (vii) 3 years of expense coverage, (viii) loan-to-value, (ix) pastoral and lay leadership, (x) delinquency status of existing debt, and (xi) revenue per giving unit. In addition, LCEF reviews the following guidelines of school associations that apply for loans: (i) percent of income generated by tuition and congregation support, (ii) percent of debt to property value, (iii) current ratio, (iv) percentage of total revenue allocated for debt service, (v) percentage of total project cost available in a segregated building fund, (vi) operating margin and (vii) debt capacity as percentage of guaranteed revenue and total revenue.

Loans made to congregations, Associations of Member Congregations, RSOs, and Auxiliary Organizations of the Synod generally require a first lien on the property of the borrower, title insurance, real estate evaluations and surveys, appropriate resolutions of the borrowers, and fire and extended coverage insurance. Loans made to Synodical Corporations are made under one of three different terms. First, loans made to those Synodical Corporations that are colleges, universities, and seminaries are written on the above-described terms. Second, loans made to the Synodical Corporation known as CUS may be unsecured and may be made under the terms of a letter agreement. Third, loans made to Synodical Corporations other than CUS, colleges, universities and seminaries may be

unsecured and may be made under the terms of a letter agreement that provides for repayment or may provide the ability to obtain a security interest on the property of the borrower. In certain events of default, LCEF's mortgage security interest in the assets of certain organizations that have borrowed the proceeds of tax-exempt bonds issued through state agencies is subordinate to the credit bank's mortgage.

Rostered Church Workers

In determining eligibility for loans to Rostered Church Workers, LCEF considerations include the borrowers' income, outstanding indebtedness, average credit bureau score, and past credit history. Residential loans are made on either a first mortgage or home equity basis. First mortgage loans require a first lien, while home equity loans require a first or secondary lien on the borrower's property. In addition, both of these residential loan types require title insurance or title guarantee, and homeowner's insurance. Rostered Church Worker loans are available only in those states where permitted by law.

Terms of New Loans

Organizational Borrowers

Currently, the loans are written at a fixed or an adjustable interest rate based on LCEF's Cost of Funds. The rate of interest charged on a loan will typically be based on LCEF's Cost of Funds plus up to 3.0%, depending on the type of loan. (RSOs, Universities, Seminaries and high schools may be charged interest using the U.S. five-year treasury note yield, LIBOR or Wall Street Journal Prime index.) The LIBOR index is the rate per annum quoted as the one-month, three-month, six-month or one-year LIBOR rate based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, as quoted for U.S. Dollars by the Wall Street Journal or other major financial publication. The Wall Street Journal Prime index uses the U.S. Prime rate as published in the Wall Street Journal. The U.S. five-year treasury yield is published by the Federal Reserve Board based on the average yield of a range of Treasury securities. Loans associated with these rates are priced at a margin (spread) above or below the index. Typically, this rate will be defined as the highest prime rate on the last business day of the previous month as published in the Wall Street Journal. If no rate is published, the previous published rate will apply. If these indices become unavailable during the term of a loan, LCEF may designate a substitute index after notifying the borrower.

Loans will typically be written on either a five-year or 10-year fixed rate or at an interest rate that will adjust monthly, quarterly or annually. Monthly payments are required on substantially all loans with the principal typically amortized over 20 to 30 years except for unsecured loans which are typically written for terms of 15 years or less. Fixed-rate loans are written at an interest rate above LCEF's Cost of Funds determined monthly ("Monthly Rate") and typically for a five or 10-year term with a two percent (2%) prepayment penalty. Late payments may result in a late payment penalty being charged. The terms and availability of loans have been established and may be changed by LCEF's management.

Rostered Church Workers

Currently, the loans are written at a fixed term or an adjustable interest rate based on LCEF's Cost of Funds or other index as determined by LCEF or as state law may require plus up to five percent. First mortgage loans are currently written on either an adjustable rate basis for up to 30 years or on a fixed basis for up to 30 years. Home equity loans will be written on a fixed rate basis for up to 15 years. Each of these loans has the principal amortized over its respective term. Late payments on any of these loans may result in a late payment penalty being charged. However, no prepayment penalty exists on any of these loans. The terms and availability of these loans have been established and may be changed by LCEF management. LCEF, at its discretion, may hold its loans to maturity or may sell its loans. The table below provides the current Index-based interest rate formula and loan fees on new loans. These terms are subject to change by LCEF management.

<u>Loan Type</u>	<u>Index-Based Formula</u>	<u>Origination/ Loan Fee</u>
First Mortgage.....	Index + Up to 3.0%	Up to 0.5%
Home Equity	Index + Up to 4.5%	None

Loans by Region

At June 30, 2019, the amount of LCEF loans outstanding among the eight economic regions identified by U.S. Bureau of Economic Analysis ("BEA"), and those made to Lutheran ministries outside the United States, and their respective percentage of LCEF's total loans are as follows:

BEA Regions	Loan Amount (In Thousands)	% of Total
New England	\$ 8,405	0.53%
Great Lakes.....	367,798	23.13
Southeast	226,184	14.22
Farwest	276,704	17.40
Midwest	113,299	7.13
Rocky Mountain	74,536	4.69
Plains	302,538	19.03
Southwest	<u>199,372</u>	<u>12.54</u>
	1,568,836	98.67
Outside United States	<u>21,263</u>	<u>1.33</u>
Total	<u>\$ 1,590,099</u>	<u>100.00%</u>

Material Loans

At June 30, 2019, the principal balances of loans in excess of one percent (1%) of the adjusted loan portfolio of \$1,564,402,000 (see Note D in the audited financial statements) are as follows:

	<u>Number of Loans</u>	<u>Balance at June 30, 2019 (In Thousands)</u>
<u>Service Organizations</u>		
Educational Enterprises, Milwaukee, WI	16	49,505
Lutheran Senior Citizens, Oklahoma City, OK	2	22,282
Lutheran Social Services of Metro NY	3	18,823
Lutheran Haven, Inc., Oviedo, FL	2	17,898
<u>Concordia University System, Colleges and Seminaries</u>		
Concordia University—Portland, OR.....	7	38,624
Concordia University—Chicago, IL	3	18,496
Concordia University—Bronxville, NY	4	17,909
Concordia University—Mequon, WI	1	16,858
Concordia University System—St. Louis, MO	2	16,365
<u>High School Associations</u>		
Lutheran High School Association—Houston, TX	3	16,716
Lutheran High School Association—Milwaukee, WI	3	15,983
<u>Other Schools</u>		
Concordia International School—Hanoi, Vietnam	2	17,277
North Valley Christian Academy—Phoenix, AZ	3	16,842

Access to Tax-exempt Funding Sources

LCEF assists eligible borrowers such as high schools, colleges, congregational elementary schools, and recognized service organizations in obtaining access to tax-exempt funding sources for qualified capital projects such as the acquisition, construction, equipping, furnishing, and improvement or refinancing of educational or health facilities in the following manner. See Note I in the audited financial statements.

As compensation for its participation in assisting these entities in obtaining access to tax-exempt funding, LCEF receives fees based on the amounts of the guarantees or loans outstanding.

Delinquent & Impaired Loans

Delinquencies

During the 2008-2009 economic downturn, LCEF, like most financial institutions, experienced an increase in the number of borrowers encountering financial difficulties. The primary means utilized by the LCEF to resolve delinquencies consists of restructuring the delinquent loans in a manner that provides a period of time with reduced payment requirements to provide opportunity to resolve the issues causing the delinquencies. Upon restructuring, the loan is removed from the delinquent category but retained in the impaired category until such time as the restructured loan is no longer deemed impaired.

As of June 30, 2019, the total recorded investment of loans more than 90 days past due totaled \$9,606,000, which represents 0.6% of the total loans receivable. For further information relating to the loan delinquencies, see Note D in the audited financial statements.

Troubled Debt Restructures

A loan is classified as troubled debt restructuring when, due to the borrower's financial difficulties, LCEF grants a concession to the borrower. Such concessions usually include a modification of loan terms, such as a reduction of the rate to below-market terms, adding past-due interest to the loan balance, extending the maturity date or foregoing payments on a portion of the loan.

During the years ended June 30, 2019 and 2018, LCEF restructured troubled debt in the amount of \$3,718,000 and \$7,106,000, respectively, or 0.2% and 0.5% of the loan portfolio at the beginning of the respective fiscal years. The principal balances of loans classified as troubled debt restructures as of June 30, 2019 and 2018, are \$65,213,000 and \$78,444,000, respectively. Of these amounts; i) \$14,475,000 and \$16,076,000, respectively, require monthly principal payments, \$3,552,000 and \$6,557,000, respectively, require interest only payments, \$0 and \$10,831,000, respectively, require a principal payment based on the borrower's net income and \$47,186,000 and \$44,980,000, respectively, require no payments until maturity; and ii) \$61,660,000 and \$67,695,000, respectively, were on non-performing status under which LCEF recognizes interest income on a cash method.

Loans returned to accrual status as of June 30, 2019 and 2018, under which status LCEF records income as it is earned, totaled \$3,553,000 and \$10,749,000, respectively. These borrowers demonstrated the ability to comply with the restructured repayment terms through a sustained period of repayment performance, generally a period of six months.

The gross amount of interest income that would have been earned under the original terms of restructured loans was \$2,513,000 and \$2,672,000 for the years ended June 30, 2019 and 2018, respectively. The actual amount of interest income recognized under the restructured terms totaled \$684,000 and \$1,028,000 respectively.

Each of the restructured loans required the ministry to formulate an operating plan outlining the steps to be taken to address its financial issues. The term of these restructured loans is normally no longer than three years, at which time the financial condition of the ministries will be reevaluated. LCEF has established specific reserves for these loans based on the present value of the projected cash flows as outlined by the terms of the restructure. The specific reserves for this type of loan restructuring are included in the loan loss allowance amounting to \$25,616,000 as of June 30, 2019. For further information about troubled debt restructures, see Note D in the audited financial statements.

The balances of the troubled debt restructures are included in the balances of impaired loans described below.

Impaired Loans

LCEF considers a loan impaired when it is placed on nonaccrual status or restructured. A loan is also considered impaired when, based on current information and events, it is probable that LCEF will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

As outlined in Note D in the audited financial statements, during the fiscal year 2019, impaired loans decreased from \$94,536,000 to \$76,350,000. LCEF continues to work with these ministries, often providing modified loan terms to provide reduced cash flow obligations for a period of time to allow the ministries time to address the causes for the delinquency.

Loan Loss Allowance

LCEF utilizes a loan credit rating system to estimate its loan loss allowance for probable loan losses applying loss percentages based on historical experience and other factors to the various rating categories of the loans. In addition, LCEF reserves specific amounts for impaired loans that have been restructured and for loans that are considered collateral dependent.

During the fiscal years ending June 30, 2019 and 2018, LCEF provided \$104,000 and \$137,000 respectively to the loan loss allowance to provide specific reserves for impaired loans and general reserves for the loans classified by credit ratings. During the fiscal years ending June 30, 2019 and 2018, LCEF charged \$2,815,000 and \$2,711,000 against the loan loss allowance to reflect losses on loans, primarily deeds accepted in lieu of foreclosure.

It is management's opinion that the \$25,616,000 reserved as of June 30, 2019, for LCEF's loan portfolio is appropriate to provide for probable loan losses and that the past due amounts will not affect LCEF's ability to satisfy its obligations. For further information relating to the loan reserve, see Note D in the audited financial statements.

Real Estate

LCEF utilizes an experienced real estate management firm to oversee its real estate properties. The management company performs property assessment, property management and real estate brokerage services for LCEF as needed. At June 30, 2019, LCEF had 13 real estate sites with a book value, net of the associated reserves, of \$19,483,000. For additional information relating to real estate, please see Note E in the audited financial statements.

INVESTING ACTIVITIES

Investment Policies

LCEF maintains investment portfolios until funds are disbursed for new loans and to provide resources for operations and for Notes and Support Dollar payments. LCEF's policy is to maintain operating resources sufficient for the next twelve months. This is determined by adding expected loan disbursements based on outstanding loan commitments and guarantees, subtracting anticipated loan repayments, and taking into consideration anticipated Notes and Support Dollars payable activity.

LCEF's investment committee, a sub-committee of the Board, assists the Board in fulfilling its investment oversight responsibility by establishing LCEF's investment guidelines, engaging and reviewing the performance of LCEF's investment advisors, and monitoring LCEF's investment performance to ensure it meets the specified guidance. The policies for the short-term, intermediate and long term categories of the portfolio are described below.

LCEF maintains a short-term category invested in cash and cash equivalents normally representing 2% of the investment portfolio to provide for immediate cash requirements. LCEF invests 0% - 98% of the portfolio in a ladder intermediate term high quality fixed-income portfolio emphasizing security of principal, yield, and a secondary source of liquidity. The ladder maturities of these investments mitigate the need to sell securities to generate liquidity. The balance of cash equivalents and the ladder portfolio will equal at least 10% of LCEF's investor payable portfolio.

LCEF maintains a long-term portion of the portfolio consisting of 0% - 35% of its investments. Within this category, LCEF may invest in a combination of fixed income, equity and other investments which may include liquid and limited liquid hedge strategies, private equity, private commercial real estate and commodity related investments. These investments are not directly correlated with fixed-income investments and are selected to offset potential fixed income losses associated with rising interest rates and inflation and to generate a higher total return and yield. The amount of allocation to the long-term portfolio and the makeup of the investments within this portfolio is highly dependent upon the results of a risk evaluation which takes into consideration the financial metrics of the organization and the projected financial results given forecasted changes in interest rates. Graystone Consulting, a business of Morgan Stanley, serves as the adviser for the long term-portfolio.

LCEF utilizes a consultant bank, UMB Bank, n.a., to assist with the management of the intermediate investment portfolio and interest rate risk. An asset liability committee consisting of members of LCEF's management team meets on a monthly basis to review the performance of the investment portfolio and compliance with its investment policies. On a day-to-day basis, the Senior Vice President of Investments/ALCO and the Chief Financial Officer are responsible for the management of the investment process, making investment decisions and interaction with the various advisors.

Investment Holdings

A description of LCEF's outstanding investments as of June 30, 2019, is as follows:

<u>Type of Investment</u>	<u>Balance at June 30, 2019 (In Thousands)</u>	<u>% of Total</u>
Fixed Income:		
Agency, Asset and Mortgage Backed Securities....	\$139,893	52.0%
Corporate Bonds and Debentures.....	38,634	14.4
Mutual Bond Funds.....	22,296	8.3
Taxable Municipal Bonds	10,536	3.9
High Yield Bond Funds.....	3,191	1.2
Yankee Bonds	1,005	0.4
Equities	45,858	17.1
Master Limited Partnership Mutual Fund.....	3,540	1.3
Floating Rate Loans Fund	2,249	0.8
Other	<u>1,553</u>	<u>0.6</u>
Total	<u>\$268,755</u>	<u>100.0%</u>

Investment Performance

Exclusive of donor-restricted investments totaling \$1,553,000, LCEF's average weighted yield and total return for the fiscal year ended June 30, 2019, for its fixed-income, other, and total portfolios are listed below:

	<u>Yield</u>	<u>Total Return</u>
Fixed-Income Investments	2.96%	5.42%
Equity & Other Investments.....	2.19%	4.49%
Total Portfolio	2.78%	5.35%

The aggregate realized and unrealized gains and losses from investments for the last three fiscal years are as follows:

	<u>(Dollars in Thousands)</u> <u>Year Ended June 30</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Realized Gain (Loss).....	\$ (1,405)	\$ 64	\$ (14)
Unrealized (Loss) Gain	8,734	<u>(5,814)</u>	<u>(4,536)</u>
Net (Loss) Gain.....	<u>\$ 7,329</u>	<u>\$ (5,750)</u>	<u>\$ (4,550)</u>

More information about LCEF's investments may be found in Note C in the audited financial statements.

SELECTED FINANCIAL DATA

Financial Data

The table below sets forth certain selected financial data with respect to LCEF and its operations for the most recent five (5) fiscal years. Management has compiled this data from LCEF's audited financial statements, and it should be read in conjunction with LCEF's current audited financial statements including notes thereto, which begin on page 35.

	<u>(Dollars In Thousands)</u> <u>Year Ended June 30</u>				
<u>Description</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total assets	\$1,888,458	\$1,828,704	\$1,838,901	\$1,807,841	\$1,704,696
Cash, cash equivalents, and investments	290,437	281,761	317,241	359,528	282,796
Loans receivable.....	1,590,099	1,533,863	1,500,051	1,430,242	1,411,637
Loans receivable, not guaranteed or secured	19,308	20,139	19,349	18,045	17,199
Percentage—loans receivable, not guaranteed or secured	1.2%	1.3%	1.3%	1.3%	1.2%
Percentage of loan delinquencies in excess of 90 days.....	0.6%	0.9%	0.7%	0.4%	1.7%
Impaired Loans.....	76,350	94,536	104,797	129,755	148,580
Notes Payable.....	1,480,755	1,435,826	1,450,097	1,416,892	1,306,185
Note redemptions (exclusive of demand notes).....	71,766	68,165	70,902	73,309	118,966
Support Dollars Payable.....	163,160	163,671	166,537	175,783	171,420
Other long-term debt	-	-	-	5,295	7,860
Net assets.....	235,726	222,591	215,600	203,509	193,385
Changes in net assets	13,135	6,991	12,091	10,124	1,993
Net income	16,794	7,087	8,769	8,012	4,078
Number of investor accounts.....	94,173	92,284	93,162	92,860	87,387
Number of loans	3,154	3,110	3,050	2,929	2,879

Financial Review

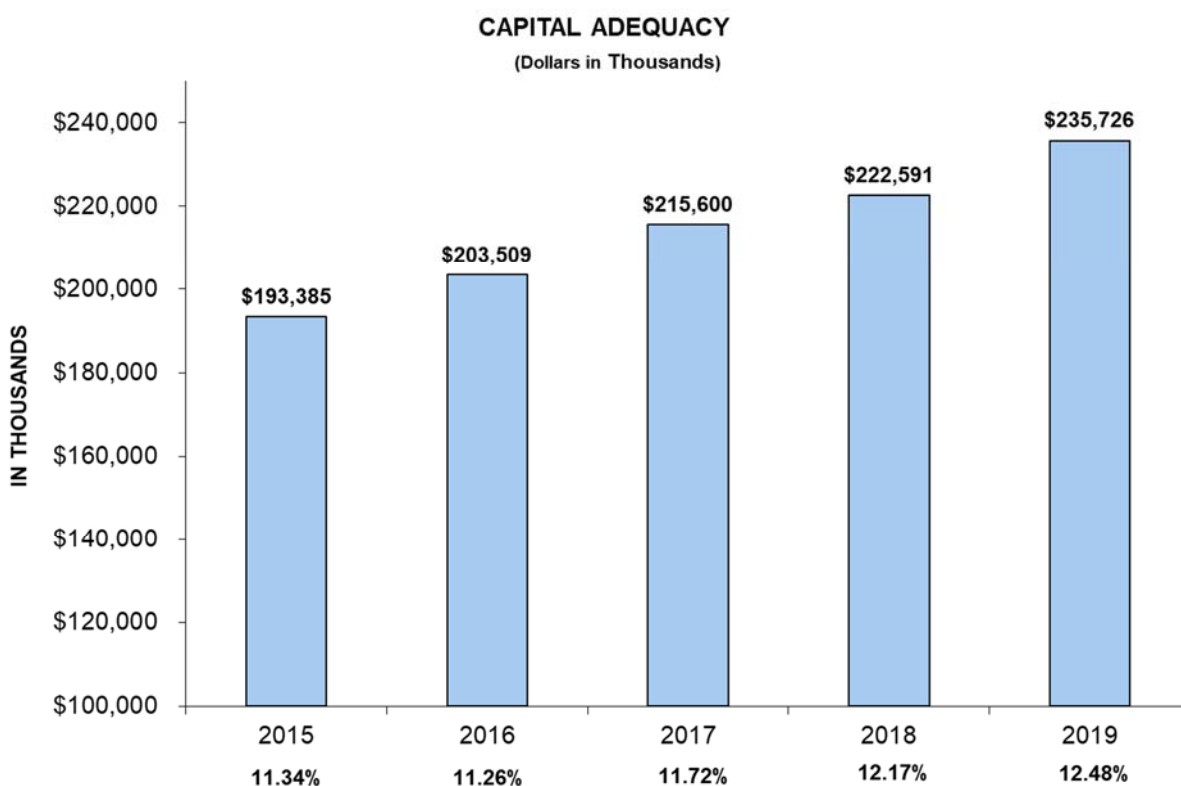
Management regularly reviews LCEF's overall financial condition. This is done in part by reviewing past and expected performance in certain key areas. The following discussion presents seven such areas:

1. Source of Funds for Payment of Notes

Historically, interest and principal payments on LCEF's term Notes have been made primarily from the amounts received as principal and interest payments on LCEF's outstanding loans. LCEF demand note redemptions have historically been made from demand note investments. LCEF anticipates that it will continue to experience similar results in the future, although past performance is no guarantee of future performance. The graph in the section entitled "Receipts and Redemptions—Notes Payable" on page 13 demonstrates that historically repayments of Loans receivable have been sufficient to fund redemptions of term Notes.

2. Capital Adequacy

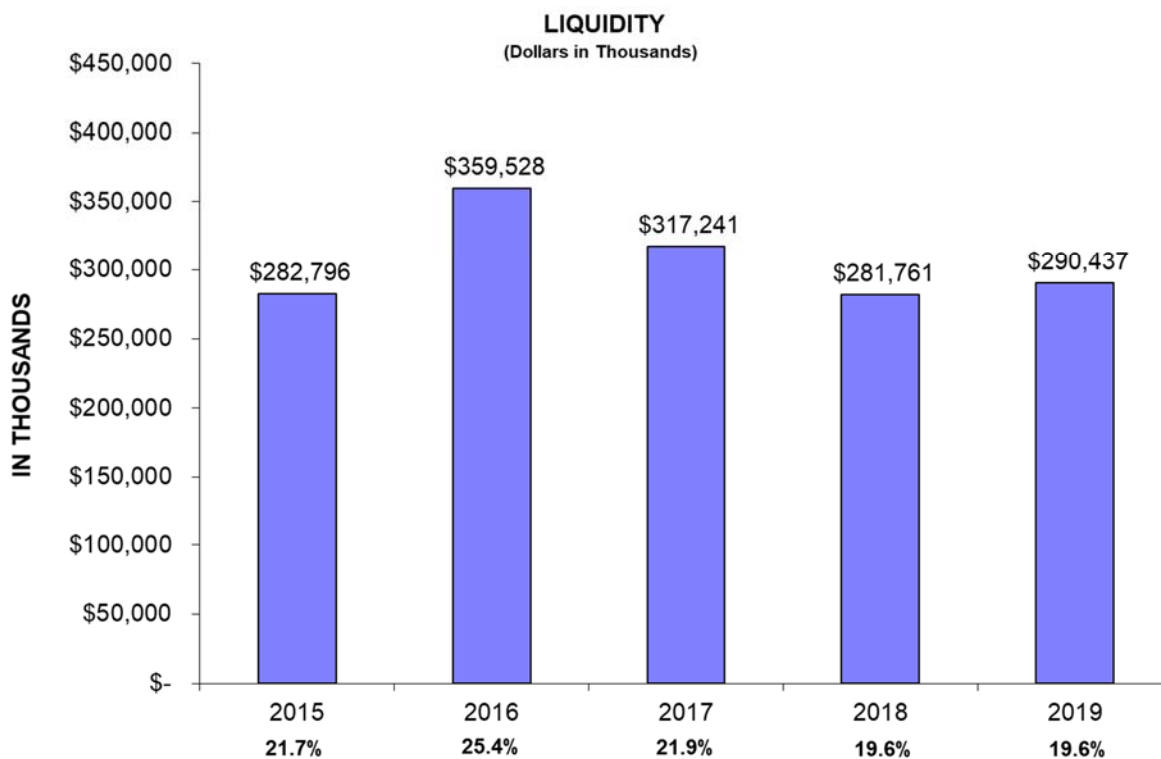
For fiscal year June 30, 2019, LCEF's capital adequacy ratio was 12.48%. This ratio is derived by dividing net assets by total assets and is depicted in the table below. LCEF strives to maintain a capital position to support its growth and operations. Management recognizes the need to maintain a strong capital position and carefully monitors its capital position as LCEF sells additional Notes to meet the capital financing needs of the Synod.



3. Liquidity

LCEF's policy is to maintain resource requirements sufficient for the next twelve months. These resource requirements are defined as forecasted loan disbursements less estimated loan principal repayments; plus, anticipated redemptions of maturing term and demand Notes and Support Dollars during the next twelve months.

For the fiscal year ended June 30, 2019, LCEF's cash, cash equivalents, and readily marketable assets had a market value equal to 19.6% of its outstanding Notes. In addition to the \$290 million in cash and investments as of June 30, 2019, LCEF had an unused line of credit totaling \$100 million. The following graph displays the amount of such liquid assets and its relationship to outstanding Notes for each of the five most recent fiscal years.

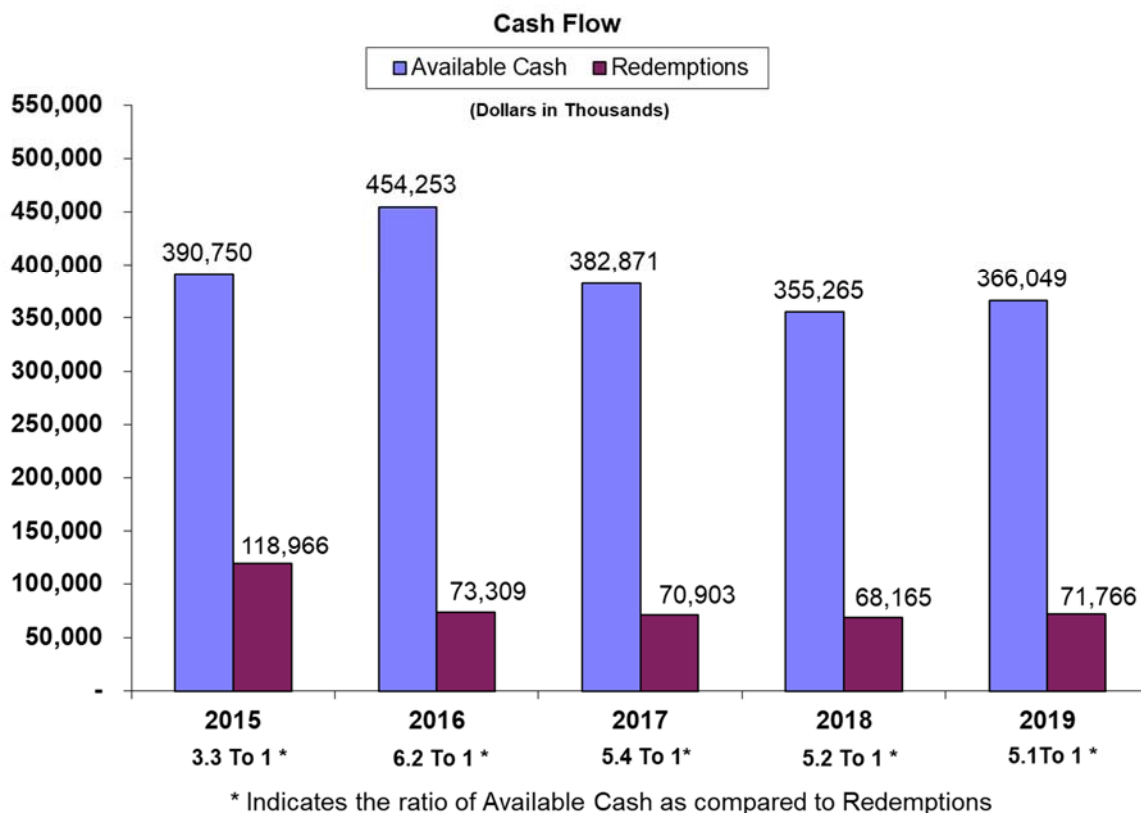


4. Lines of Credit

LCEF has maintained a line-of-credit agreement, which is secured by certain investments, in the amount of \$100 million with UMB Bank that expires on December 31, 2019. LCEF expects to either renew or replace the agreement as it expires. At June 30, 2019 and 2018, LCEF had no outstanding balance drawn against this line of credit.

5. Cash Flow

Management considers cash flow performance and examines the amount of available cash as compared to cash redemptions, exclusive of LCEF Support Dollars. Historically, LCEF has been able to meet demand for redemption of its term Notes from principal repayments from its loan receivable portfolio. Generally, redemption activity from LCEF's demand Notes has historically been funded from investments in these same instruments. The gross amount of sales and redemptions of Notes and Support Dollars Payable is reported in the "Statements of Cash Flows" on page 38. The amount of available cash primarily consists of the liquid assets at the beginning of the year, plus the applicable year's sale of term Notes and loan principal payments less loan disbursements. The following bar graph compares LCEF's available cash exclusive of cash generated from demand accounts to the actual cash redemptions (exclusive of demand accounts) for the five (5) most recent fiscal years.



6. *Loan Delinquencies*

At June 30, 2019, and 2018, the recorded investment of LCEF's loans with payments greater than ninety days past due amounted to 0.6% and 0.9% respectively of total loans receivable. See delinquency discussion on page 18 for more information. It is management's opinion that this level of delinquencies will not significantly impair LCEF's liquidity, cash flow or net assets.

7. *Profitability*

LCEF reported net operating income of \$7.7 million and net income of \$16.8 million for the fiscal year ended June 30, 2019. Details of LCEF's profitability for the five most recent fiscal years appears in the table below:

<u>Description</u>	(Dollars in Thousands)				
	Year Ended June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net interest income after loan loss provision.....	\$35,872	\$37,279	\$36,552	\$29,190	\$35,145
Consulting fee income	858	1,355	1,380	1,755	1,734
Operating expenses	<u>29,038</u>	<u>27,402</u>	<u>25,304</u>	<u>24,644</u>	<u>24,360</u>
Net operating income.....	7,692	11,232	12,628	6,301	12,519
Other income (loss)					
Net (loss) gain on investments.....	7,329	(5,750)	(4,550)	(1,544)	(6,601)
Bequests and other gifts.....	1,369	1,281	1,292	2,062	3,787
Net gain (loss) on real estate and foreclosed assets.....	1,845	1,394	(96)	960	(825)
Credit union sponsorship	-	-	-	-	(5,000)
Grant expense	(1,512)	(1,186)	(683)	-	-
Other	<u>71</u>	<u>116</u>	<u>178</u>	<u>233</u>	<u>198</u>
Total	9,102	(4,145)	(3,859)	1,711	(8,441)
Net income.....	<u>\$ 16,794</u>	<u>\$ 7,087</u>	<u>\$ 8,769</u>	<u>\$ 8,012</u>	<u>\$ 4,078</u>

DESCRIPTION OF NOTES

Introduction

LCEF offers its Notes to eligible Individual and Organizational Investors. LCEF accepts payment for the purchase of these Notes via cash, cashier's check, personal check, money order, Young Investor ("Y.I.") Stamps, wire transfer, or through Automated Clearinghouse (ACH) transfer. LCEF's Notes are general obligation debt securities. The Notes are unsecured obligations and are not FDIC-insured bank deposit accounts, and Investors will be wholly dependent upon the general financial condition of LCEF for repayment of principal and interest. No sinking fund or trust indenture has been or will be established.

UMB Bank provides check writing, Visa debit card, and electronic funds transfer. A third-party information technology firm that specializes in core processes of financial institutions provides the Internet financial services through agreements with investors selecting these options and LCEF. Investors may use the Internet financial services and the audio response system (a telephone-based system) to access their investment accounts, including the ability to transfer funds among existing LCEF Notes. The Internet services also allow Investors to request a one-time wire transfer from their LCEF Notes and to initiate ACH transfers to or from existing LCEF Notes, as well as transfers to and from accounts held at commercial institutions. The third party information technology firm also provides a Bill Pay service to LCEF investors invested in the StewardAccount Certificates. LCEF may, in the future, permit on-line account opening or add a mobile application that allows an investor to access his or her account information via a mobile device. References to these services are made throughout this section describing LCEF's investment options.

All Investors are provided statements at least semiannually, with StewardAccount Certificate Investors receiving statements monthly. LCEF reserves the right to assess maintenance fees on Notes that become inactive for a period of twelve months or more. If maintenance fees are applied, 30 days' written notice will be sent prior to their assessment indicating the amount and frequency of such fees and what action can be taken to avoid the assessment.

LCEF Notes may qualify as unclaimed property if the date from the last investor initiated contact exceeds the applicable state defined dormancy period. Dormancy periods range from three to five years. To comply with unclaimed property law, LCEF is required to perform certain due diligence procedures.

Certain Dedicated Certificates, Fixed-Rate Term Notes and Floating Rate Term Notes may be available as investments for IRAs and ESAs, at minimum investments to be determined by LCEF. All Notes offered to individuals for IRAs and ESAs may be at interest rates that are higher or lower than those offered for other Notes. Individuals who wish to invest in LCEF Notes through an IRA, ESA or HSA with LCEF may do so through custodial agreements with UMB Bank of Kansas City, Missouri. Because IRAs, ESAs and HSAs are subject to specific requirements under the Internal Revenue Code, an individual Investor should consult with his or her tax advisor before directing a purchase of a Note for his or her IRA, ESA or HSA.

LCEF reserves the right to call the Notes for redemption at any time upon 60 days' written notice and to discontinue offering any Notes described herein without the need to supplement this Offering Circular. LCEF also reserves the right to offer additional Notes with different terms from the Notes described herein. The Notes are nonnegotiable and may be assigned only upon LCEF's written consent.

All of the outstanding Notes are unsecured debts of LCEF, and LCEF has not issued Notes which by their terms have a higher priority to payment. However, at June 30, 2019, LCEF had a line of credit with a financial organization in the amount of \$100 million secured by LCEF investments (see "Lines of Credit" on page 23).

If required by government regulations, LCEF may require additional information to verify an Investor's identity.

Interest

The interest rate offered for any newly issued Note may be changed on a daily basis without issuing a supplement to the Offering Circular. The interest rate for each Note is established within a defined interest rate range. LCEF establishes each range by first computing its midpoint and then applying up to four percentage points both above and below the midpoint (the "Limits").

The midpoint is based on rates published on the Bank Rate Monitor® (BRM) website for comparable investments having similar terms. The percentage Limits for Notes issued for a Tax-Deferred Plan are equal to those described above plus 1%.

The rates at which Fixed-Rate Term Notes, other than those issued with a stepped interest rate or a tier that may be subject to interest rate adjustments, and Congregation Fixed-Rate Endowment Certificates are issued will remain in effect for their entire terms. All other Notes pay a floating interest rate which may be adjusted on a daily basis.

LCEF may offer interest rate step-ups for selected periods of time for selected term(s) of newly issued Fixed-Rate Term Notes. Fixed-Rate Term Notes issued with an interest rate step-up permit the Investor(s) to exercise a one-time option to adjust the interest rate on the Note to the fixed rate of interest then payable on a newly issued Note of that same type and term. Such Notes issued with an interest rate step-up will earn the fixed rate of interest as specified in the initial investment certification during their entire initial term unless and until the Investor(s) notify(ies) LCEF of their intent to exercise the one-time interest rate step-up option. Upon LCEF's receipt of such notice, such Note shall earn the fixed rate of interest then payable on newly issued Notes of that same type and term during the entire remaining portion of such Note's initial term. LCEF may also offer newly issued Fixed-Rate Term Notes that have interest rates that are fixed for their entire terms with respect to an investment tier amount and also have a fixed or adjustable interest rate that is applicable to investment amounts that exceed the first fixed rate investment tier.

LCEF reserves the right to change the method by which the interest rate is calculated and to change the Limits for all issued variable interest rate Notes, upon 30 days' written notice without issuance of a supplement to the Offering Circular. Such interest rate changes include modifying the number of interest rate tiers and the minimum balances associated with them, modifying the frequency and method by which the interest rate is calculated and how frequently interest is paid to the Investor or added to the Notes. In the event of such changes, the holders of these Notes will receive written notification describing the changes in the method of determining rates. If upon receiving such notice Investors wish to make a complete redemption, they may do so within thirty days of receiving the written notice. For the final interest payment only, they also may be paid interest at the rates in effect for those Notes during the preceding quarter, provided they notify LCEF of this election within the same 30-day period.

LCEF also reserves the right to change the interest rate on StewardAccount Certificates, Dedicated Certificates, Family Emergency StewardAccount Certificates, Y.I. StewardAccount Certificates, Congregation Demand Certificates, Congregation Cemetery Care StewardAccount Certificates, any adjustable rate tier of a Fixed-Rate Term Note and FlexPlus Certificates. LCEF also reserves the right to modify at any time, with respect to newly issued Notes, the current minimum initial investment amount, the amount of additional investments, the maximum investment amount, the number of interest rate tiers and the minimum redemption amounts, which items will be disclosed to Investors by means other than a supplement to the Offering Circular.

Funds received for the purchase of Notes earn interest from the date of receipt. Interest on StewardAccount Certificates, Family Emergency StewardAccount Certificates, Y.I. StewardAccount Certificates, Congregation StewardAccount Certificates, Congregation Cemetery Care StewardAccount Certificates, and FlexPlus Certificates will be compounded and paid monthly. Interest on all other Notes will be compounded and paid no less frequently than every three months. Interest shall be added to the principal, unless the Investor elects to have the interest paid directly to the Investor. This election may be changed at any time through written notice to LCEF. Interest, however, is required to be added to the balances of FlexPlus Certificates, Family Emergency StewardAccount Certificates, and StewardAccount Certificates with balances less than \$5,000. (Interest is required to be added to the balance of Y.I. StewardAccount Certificates regardless of account balance.) Investors may, subject to a 30-day notice requirement reserved by LCEF, request payment of any amount of interest previously added to their term Notes during the current Note's term, without redeeming the principal of the Notes or being subject to any penalty on any Note.

LCEF is not required to redeem any Note prior to its maturity date. As a matter of policy and practice, however, LCEF has redeemed Notes at the request of Investors upon a showing of need. LCEF anticipates that it will continue to do so, although there can be no assurance that it will continue this practice. When LCEF agrees to redeem a Note, prior to maturity, interest penalties may apply. Penalties are computed on the amount redeemed less accumulated interest using the current interest rate for a specified amount of days, which is between 30 and 365 depending on the term length of the Note. Currently (subject to change), the penalty days associated with various terms of Notes are as follows: i) up to 90 day term = 30 day penalty, ii) 4 month to 24 month term = 90 day penalty, iii) 25 month term to 47 month term = 120 day penalty, iv) 48 month to 84 month term = 180 day penalty, and v) 85 month to 120 month term = 365 day penalty. LCEF reserves the right to assess fees and/or change existing fees on all notes upon 30 days' written notice.

The current rate of interest and the APY for all LCEF Notes offered October 1, 2019, are available by contacting LCEF or visiting LCEF's website at lcef.org. The APY is calculated in accordance with Federal Reserve Board Regulation DD using LCEF's current stated rate of interest, the frequency of compounding, and based on no redemption of principal or interest.

LCEF may offer an incentive to new Investors by crediting an additional amount into a newly purchased Note. Any such additional amount will be nominal in value and will be treated as additional interest paid to the Investor. In addition, LCEF may offer an incentive to new Investors or existing Investors by offering a preferential interest rate or other terms on a Note for a stipulated amount of time or investment amount.

LCEF offers a club for young Investors (up to 18 years of age) called the Young Investors Club or Y.I. Club. Members of the Y.I. Club may receive minor cash awards as additional investments in the Y.I. StewardAccount or other Note for certain achievements such as earning an "A" grade or completing a service project or winning a contest. LCEF may also issue a limited number of larger awards to support the education of young Investors.

Notes Offered to Investors

All of the Notes described below are offered as of October 1, 2019. Notes showing a term ranging in days or months are as made available by LCEF from time to time. The current name of each Note LCEF offers and certain of its terms are set out below:

Notes Offered to Individual Investors

Y.I. Stamps

Y.I. Stamps are primarily offered to children and youth through LCMS Sunday Schools and parochial day schools. Stamps have cash values of \$1.00. Stamps may be accumulated in stamp books and transferred to Y.I. StewardAccount Certificates or Dedicated Certificates for the face value of all stamps accumulated in the books. Congregations or schools purchase the stamps from LCEF and sell them to their members and/or members' children.

Dedicated Certificates

A demand investment requiring a \$100 minimum initial investment (\$25 for Y.I. Stamps and certificates opened under a Uniform Gift/Transfers to Minors Act), offering:

- Floating interest rates that may adjust daily.
- Progressive, tiered interest rate schedule; rates rise as balance grows.
- Unlimited number of investments; penalty-free redemptions.
- Principal and accumulated interest is redeemable at any time upon 30-days' written notice.
- *For IRA and ESA Notes only—tiered interest rate schedule that pays interest rates tied to LCEF's StewardAccount®.*

Family Emergency StewardAccount Certificate

A demand investment requiring a minimum \$25 initial investment, offering:

- Floating interest rates that may adjust daily.
- Limited check writing access for partial or total redemptions.
- Required minimum additional direct investment through electronic transfer on a monthly basis of at least \$25 until the account balance reaches a minimum of \$10,000.
- Account balances of \$10,000 or greater are exempt from the monthly direct investment through electronic transfer requirement.

StewardAccount® Certificate

A demand investment requiring a \$100 minimum initial investment, offering:

- Floating interest rates that may adjust daily.
- Progressive, tiered interest rate schedule; rates rise as balance grows.
- Check writing access for partial and total redemptions.
- Optional Visa debit card access and electronic transfer capabilities.
- Optional Bill Pay service.

Y.I. StewardAccount Certificate

A demand investment requiring a \$25 minimum initial investment, offering:

- Floating interest rates that may adjust daily.
- Higher interest rate on balance in first tier.
- Rate for second tier is applicable to that portion of the account that exceeds the maximum amount of first tier.
- Check writing access to Custodian for partial and total redemptions.
- Optional Visa debit card access for Custodian and Minor 16-18 years of age.
- Electronic transfer capabilities.

Note Offered to Individual Investors for Health Savings Accounts

FlexPlus Certificate

A demand investment requiring a \$1 minimum initial investment, offering:

- Floating interest rates that may adjust daily.
- Progressive, tiered interest rate schedule; rates rise as balance grows.
- Check writing access for partial and total redemptions.
- Visa debit card access and electronic transfer capabilities.

Notes Offered to Individual and Organizational Investors

Fixed-Rate Term Notes

A term investment offering:

- Interest rates that, except for those Notes offered with an interest rate step-up or Notes that contain a tier that may be subject to interest rate adjustments, remain unchanged for the duration of the Note.
- A \$500 minimum investment for a term of months ranging between 4 and 120.
- A \$25,000 minimum investment for a term of 30, 60 or 90 days.

Floating-Rate Term Notes

A term investment requiring a \$100 minimum initial investment, offering:

- Interest rates that adjust on the first day of each month for the duration of the Note.
- Additional investments of \$25 or greater.
- A term of months ranging between 12 and 120.

Notes Offered to Organizational Investors

Congregations and other eligible entities (as described on page 2) may invest in the Notes described above except the FlexPlus, Y.I. StewardAccount, ConnectPLUS Fixed-Rate Term Notes and Family Emergency StewardAccount Certificates, and in addition, LCEF offers the following Notes only to Organizational Investors:

Congregation Demand Certificate

A demand investment requiring a \$100 minimum initial investment, offering:

- Floating interest rates that may adjust daily.
- Unlimited number of investments; penalty-free redemptions.
- Principal and accumulated interest payable at any time upon 30 days' written notice.

Congregation StewardAccount® Certificate

A demand investment requiring a \$100 minimum initial investment, offering:

- Floating interest rates that may adjust daily.
- Progressive, tiered interest rate schedule; rates rise for stated investment tiers.
- Monthly compounding and payment of interest.
- Check writing access for partial or total redemptions.
- Optional Visa debit card access and electronic transfer capabilities.

Congregation Fixed-Rate Endowment Certificate

An investment term ranging between 12 and 120 months requiring a \$1,000 minimum investment, offering:

- Interest rates that remain unchanged for the term of the Note.
- Progressive, tiered interest rate schedule; rates rise for stated investment tiers.

Congregation Floating-Rate Endowment Certificate

An investment term ranging between 12 and 120 months requiring a \$1,000 minimum investment, offering:

- Interest rates that may adjust daily.
- Progressive, tiered interest rate schedule; rates rise for stated investment tiers.
- Additional investments of \$1,000 or greater.

Congregation Cemetery Care StewardAccount Certificate

A demand investment requiring a \$1,000 minimum initial investment, offering:

- Floating interest rates that may adjust daily.
- Monthly compounding and payment of interest.
- Check writing access for partial or total redemptions.
- Optional Visa debit card access and electronic transfer capabilities.
- Progressive, tiered interest rate schedule; rates rise as balance grows.

INVESTMENT APPLICATIONS FOR ALL NOTES CAN BE FOUND AT LCEF.ORG OR BY CALLING LCEF AT 800-843-5233.

Maturities

LCEF shall mail maturity notices to Investors holding Notes with specified terms and maturity dates at least thirty days prior to the maturity of the Notes. LCEF reserves the right (upon notice of maturity) to change the term of the Note, the frequency and method by which the interest rate is calculated, and how frequently interest is paid to the Investor or added to the Note (the “Interest Terms”). LCEF will provide a current Offering Circular to each Investor with each maturity notice, unless a current Offering Circular has previously been provided to the Investor. The maturity notice will indicate the date of maturity and that the Note’s balance of principal and accrued interest (if applicable) will automatically be renewed under the terms described in the notice unless the Investor elects within twenty days after the Note’s maturity date to redeem the Note. The Investor may elect to redeem any accrued interest and invest the remaining principal balance in the Note described in the maturity notice or in any other qualified LCEF Note. The Investor may indicate this election by sending to LCEF either a signed and dated investment application or the “Note Authorization” form that is provided on the reverse side of the maturity notice. If the Investor elects to have the Note redeemed, payment will be made promptly by LCEF.

PLAN OF DISTRIBUTION

LCEF’s offering of the Notes is made solely by the Offering Circular. The Offering Circular contains LCEF’s audited financial statements and is distributed to each Synod congregation and sent directly to current Investors within 120 days of each fiscal year-end. The audited financial statements are also available upon written request. Promotional material is also published in national and regional publications of the Synod. In addition, promotional material is mailed to prospective Investors and distributed at churches, church conferences, conventions, retreats, and seminars. The promotional material used by LCEF contains a toll-free telephone number, which a prospective Investor may use to call and request an Offering Circular. An LCEF home page for the Internet contains its Offering Circular, Application Form, and promotional information for existing and prospective Investors at lcef.org. No underwriting or selling agreement exists and no direct or indirect commission or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of LCEF Notes. No offers to purchase will be accepted prior to the time that an Investor has signed an Application Form acknowledging receipt of an Offering Circular.

Individuals who wish to hold their Notes in an IRA, ESA or an HSA may do so as a result of an arrangement that LCEF has made with UMB Bank, n.a., in Kansas City, Missouri. UMB Bank, as the custodian of an IRA, ESA or HSA, invests funds with LCEF as directed by the Investor. A Nonmember District may promote the sale of LCEF Notes to IRAs, ESAs or HSAs using these arrangements. This District, through its officials, will use this Offering Circular and other written material to promote such sales.

TAX ASPECTS

Investors will not receive a charitable deduction upon the purchase of a Note. The interest paid or payable on the Notes which includes any new investments added to new Investor accounts by LCEF as described on page 27, and Y.I. Club awards as described on page 27, will be taxable as ordinary income to the holder in the year it is paid or accrued (except that awards paid as a scholarship may be wholly or partially non-taxable depending on the expenses for which they are used). As to interest accrued over the life of a Note to be paid at the maturity date, all Investors must report such interest as income on their federal income tax returns and state income tax returns, if applicable, ratably over the term of the Note as interest accrues. Investors also may be liable for other state and local taxes in the state or locality in which they reside. Since the tax laws of each state and locality may differ, each Investor should consult a competent tax advisor about the tax consequences. Transferability of the Notes is limited, and it is unlikely that there would be a sale or exchange of a Note. See “Description of Notes” on page 26. Upon a transfer, however, the seller generally would report either short-term or long-term gain or loss, depending upon the length of time held, the gain or loss being equal to the difference between the purchase price and the amount received upon sale or exchange, less previously accrued interest. Purchasers who hold Notes until their maturity will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income.

An individual Investor (or a husband and wife together) who has (have) invested or loaned more than \$250,000 in aggregate with or to Synodical Corporations (Districts, District CEFs, colleges and seminaries, LCEF, and other synodically controlled organizations) may be deemed to receive additional taxable interest under Section 7872 of the Code. Such Investors should consult their tax advisors to be informed of the special income tax rules applicable to loans and investments, in the aggregate, greater than \$250,000.

Federal law requires LCEF to withhold the current backup withholding percentage from any interest payment paid by LCEF if the Investor has not properly furnished a certified Taxpayer Identification Number (“TIN”) and has not certified that withholding does not apply. If the Internal Revenue Service (“IRS”) has notified LCEF that the TIN listed on an Investor’s account is incorrect according to its records, LCEF is required by the IRS to withhold 24% of any interest payment. Amounts withheld are applied to the Investor’s federal tax liability, and a refund may be obtained from the IRS if withholding results in overpayment of taxes.

LCEF will notify individual Investors of interest earned on Notes by sending them an IRS Substitute Tax Form 1099 by January 31 of each year. Investors who choose to contribute their earnings for certain operating programs of the Synod also will receive IRS Substitute Form 1099, which will report all earnings, including any amounts contributed for certain operating programs of the Synod. Contributed amounts, however, would constitute a charitable contribution for those Investors who are able to itemize deductions. Except with respect to awards paid as scholarships, LCEF will notify individual Investors of any award granted as part of the Y.I. Club that equals or exceeds \$600 by sending them an IRS Form 1099-MISC by January 31 of each year.

LITIGATION

To the best of its knowledge, LCEF is not aware of any pending or threatened action, proceeding, inquiry, or investigation at law or in equity, in which an adverse determination would have an adverse material impact on LCEF. For the prior three fiscal years, there has been no material litigation involving any LCEF director or officer pertaining to his/her duties as an LCEF director or officer.

MANAGEMENT

Organizational Structure

LCEF is a Missouri nonprofit membership corporation. The 150 members of LCEF consist of 135 persons selected by LCEF Member Districts and 13 persons selected by Corporate Synod's Board of Directors, plus the President and Chief Financial Officer of the Synod. LCEF's members elect eight of the Directors and LCMS's voting members elect three of the directors during their triennial conventions. The Board of Directors of the Synod designates the nonvoting twelfth member of the LCEF Board.

Directors

LCEF's affairs are managed by its Board of Directors, which establishes and monitors LCEF's policies and also serves as the Church Extension Board of the Synod, which coordinates the Church Extension functions of the Nonmember Districts. Each Board member's term of office is three years, with a maximum of four consecutive terms. The Board meets at regularly scheduled meetings not less often than quarterly and at special meetings as necessary. The following persons presently serve as the Board of Directors of LCEF:

1. Rev. Max Phillips, Chairperson, serves as pastor of Christ Lutheran Church in Bouton, Iowa. He is a retired State President of Qwest Corporation and current CEO of The Perry Lutheran Home in Perry, Iowa and is the Executive Director of Lutheran Family Service. He has an Executive MBA from the University of Iowa and is a graduate of Concordia Seminary, St. Louis, Missouri. His term expires in November 2019.
2. Ms. Susan J. Elsholz, Vice Chairperson, is a retired Director, Indirect Procurement, of Chrysler Corporation. Sue has a Bachelor of Arts in Finance from Michigan State University and an MBA from the University of Michigan. She is a member of the Board of Directors of the Lutheran Federal Credit Union. Her term expires in September 2022.
3. Ms. Linda K. Barnes, Secretary, is an Executive Vice President/Manager of Retail Banking Division of Independent Bank, a community bank in Memphis, Tennessee. Linda has a Bachelor of Science degree in Economics from Memphis State University. Her term expires in November 2019.
4. Mr. Donald W. Scifres is Chief Operating Officer of Kerauno, LLC, a communications workflow software firm located in Indianapolis, Indiana, and currently serves on the boards of directors for Bloomerang, LLC, a donor management software company and Vision Tech Partners, a private equity firm. Don earned a Bachelor of Science degree in Technology from Purdue University and has completed executive education coursework at Cornell University and the University of Virginia. His term expires in November 2021.
5. Mr. Mark L. Pieper is a Partner of the certified public accounting firm BerganKDV in Minneapolis, Minnesota. Mark has a Bachelor's degree in Accounting from Concordia University Wisconsin. His term expires November 2020.
6. Mr. Michael Kzirian is a retired Vice President of Telemarketing for AT&T. He is currently the Board Chairperson of the Lutheran Federal Credit Union. He holds Board positions with the Cancer Hope Network and Girl Scouts of New Jersey. Michael has a Bachelor of Science degree from Siena College. His term expires in November 2020.
7. Mr. Jonathan H. Kramer is a retired System Director of Budgeting and Financial Analysis for the DCH Health System in Tuscaloosa, Alabama. He also held positions of Director, Controller, Assistant Administrator/Finance and VP of Finance during his 39 years with various hospitals. He has an AA degree from Concordia Lutheran Jr. College, a BBA with a major in Accounting from Eastern Michigan University and an MBA from Pittsburg State University. His term expires in September 2022.
8. Mr. Ron Wheeler is President of MKI, Inc., a licensed insurance brokerage that markets insurance and annuity products through financial institutions and independent agents. Ron started MKI, located in Independence, Missouri, in 1990 and is licensed in all 50 states. He has been in the business 37 years. His term expires in November 2021.
9. Mr. Dale Wagner is a retired Senior Vice President-Finance and Administration of Rifkin & Associates, Inc., a cable television management company in Denver, Colorado. Dale has a Bachelor's degree in Finance and Accounting from Wichita State University. His term expires in November 2020.
10. Rev. Jason Braaten is pastor of Immanuel Lutheran Church in Tuscola, Illinois. He serves as the logic instructor for Wittenberg Academy and as a contributing editor to Gottesdienst: The Journal of Lutheran Liturgy. He has served on the Board of Directors for the Central Illinois District of The Lutheran Church-Missouri Synod and as a major-gifts fundraiser for Concordia Theological Seminary, Fort Wayne, Indiana. He has a Bachelor of Arts degree from Concordia University Chicago and a Master of Divinity degree from Concordia Theological Seminary, Fort Wayne, Indiana. His term expires in September 2022.
11. Mr. Christopher Soyke has spent his career in banking, currently responsible for marketing and business development for a bank-owned technology company serving community banks. Chris has a Bachelor of Science degree in Finance from Trinity University and an MBA from Marquette University. His term expires in November 2021.

Senior Officers

President/CEO

Rev. Bart Day began serving as LCEF President and CEO beginning in October 2017. Prior to joining LCEF, Bart served as Executive Director of the Office of National Mission in the Synod overseeing the domestic work provided in support of its Districts and their congregations, schools, workers and RSOs. Prior to joining the Synod, Bart served as parish pastor and headmaster of Memorial Lutheran Church and School, Houston, Texas. He earned a Bachelor's degree from Concordia University Nebraska and a M.Div. from Concordia Seminary, St. Louis, Missouri. He will earn his MBA from Washington University, St. Louis, Missouri in December 2019.

Chief Financial Officer

Mr. Kevin D. Bremer has served LCEF since 1993. Kevin served as Manager of Financial Planning, Assistant Vice President and Vice President of Finance before being named to his current position. Before joining LCEF, Kevin served in the LCMS Internal Audit Department for seven years. Kevin has his CPA certificate and a Bachelor of Science in Business Administration from Southeast Missouri State University.

Chief Information Officer

Mr. Rick Lauer has served LCEF since 2002. Rick previously served in various technical leadership roles in the information systems, telecommunication, and network industries. Rick has a Bachelor of Science in Business Administration from Lindenwood University.

Chief Credit & Administration Officer

Mr. Gerald Kirk has served LCEF since 2015. Prior to joining LCEF, Gerald served as Vice President, Credit Officer-Credit Administration at PNC Bank in St. Louis. He has substantial senior-level experience in the financial services industry involving commercial and investment banking as well as consulting. He earned a Bachelor's degree from the University of Missouri-St. Louis, and his MBA from Washington University, St. Louis.

Chief Lending Officer

Mr. Larry Crume has served in this role since its creation in 2019. He has oversight for all the lending production of LCEF as well as the regional operations. Larry joined the national staff of LCEF in 2008 and most recently held the position of Vice President-National Lending. Prior to that, he served nine years as LCEF Vice President for the Kansas District after a long banking career in retail and commercial lending. He is a graduate of Washburn University of Topeka, Kansas and the Graduate School of Banking in Madison, Wisconsin.

Chief Legal Officer

Mr. Tim Ramberger has served LCEF since 2012. Prior to joining LCEF, he was in private legal practice for 17 years and was a Senior Contracts & Pricing Administrator for various combat aircraft programs at McDonnell Douglas Corporation. Tim earned a Bachelor of Science degree in Accounting from Indiana University and his Juris Doctor degree, magna cum laude, from St. Louis University School of Law.

Senior Vice President, Ministry Support

Mr. Ryan McIvor has served with LCEF since 2004 and became District Vice President for the Northwest District in 2005. Prior to assuming his current role in 2019, Ryan served as Senior Vice President for District & National Operations. Prior to joining LCEF, Ryan was a college instructor for ITT Technical Institute and worked as a systems engineer for ASML – formerly Silicon Valley Group. Ryan holds a Bachelor's degree in Automated Manufacturing from ITT Technical Institute in Portland, Oregon.

Senior Vice President, Marketing

Mr. Joe Russo has served LCEF since 2017, where he has played key roles in the marketing department. Prior to joining LCEF, Joe led the marketing department for Staples and worked on the marketing team at James Hardie Building Products. He earned a Bachelor's degree from Concordia University Nebraska and a Master's degree from Webster University, St. Louis.

Senior Officer Remuneration

Members of the LCEF Board of Directors do not receive compensation for their services but are reimbursed for expenses incurred in attending board meetings. The President and the Chiefs and Senior Vice Presidents reporting to the President are full-time salaried employees of LCEF. During the fiscal year ending June 30, 2019, the persons then serving in those positions received the following remuneration in aggregate, and individually for those person(s) who received total remuneration of \$150,000 or more:

Payee(s)	Salary	Medical Insurance	Disability Insurance	Retirement	Total Remuneration
Aggregate	\$ 1,752,768	\$ 179,485	\$ 32,783	\$ 140,671	\$2,105,707
Rev. Bart Day	\$ 250,000	\$ 22,126	\$ 4,613	\$ 19,885	\$ 296,624
Mr. Gerald Kirk	\$ 206,505	\$ 22,126	\$ 3,855	\$ 16,644	\$ 249,130
Mr. Rick Lauer	\$ 208,651	\$ 16,516	\$ 3,864	\$ 16,666	\$ 245,697
Mr. Ryan McIvor	\$ 196,262	\$ 23,434	\$ 3,800	\$ 16,384	\$ 239,880
Mr. Thomas Helfrich*	\$ 208,012	\$ 12,353	\$ 3,273	\$ 14,109	\$ 237,747
Mr. Larry Crume	\$ 196,536	\$ 16,516	\$ 3,803	\$ 16,393	\$ 233,248
Mr. Tim Ramberger	\$ 172,688	\$ 22,126	\$ 3,369	\$ 14,524	\$ 212,707
Mr. Kevin Bremer	\$ 169,337	\$ 22,144	\$ 3,371	\$ 13,844	\$ 208,696
Mr. Joe Russo	\$ 144,777	\$ 22,144	\$ 2,835	\$ 12,222	\$ 181,978

* No longer a senior officer of LCEF.

As of June 30, 2019, LCEF's directors and officers owned Notes aggregating \$2,520,016, which is less than two-tenths of 1% of LCEF's total outstanding Notes payable.

No officer of LCEF receives deferred compensation under an employer-sponsored plan. However, all full-time employees of LCEF and of Member Districts are eligible to participate in the Synod's Concordia Plan Services, including the Concordia Retirement Plan and the Concordia Retirement Savings Plan. The amount paid for each employee is 8.7% of compensation. LCEF makes contributions to the Concordia Retirement Savings Plan only on behalf of those employees contributing to this plan.

LEGAL MATTERS

Spencer Fane LLP, 1 North Brentwood Boulevard, Suite 1000, St. Louis, MO, has given its opinion that the Notes, when issued, will be valid and binding obligations of LCEF in accordance with their terms.

FURTHER INFORMATION

LCEF has filed certain documents with the appropriate agencies of the various states including certain exhibits and amendments thereto for the offer and sale of the Notes offered hereby. The Offering Circular may not contain all the information so filed, and reference is hereby made to the information so filed for further information, with respect to LCEF and its Notes. Such additional documents are available for inspection at the offices of the applicable state agencies. This Offering Circular speaks as of its date and is subject to change without notice.

INDEPENDENT AUDITORS

The statements of financial position of LCEF as of June 30, 2019, and 2018, and the related statements of activities and changes in net assets and cash flows for each of the years in the three-year period ended June 30, 2019, included in this Offering Circular have been audited by KPMG LLP, independent auditors, as stated in its report appearing herein.



KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Directors
Lutheran Church Extension Fund – Missouri Synod:

Report on the Financial Statements

We have audited the accompanying financial statements of the Lutheran Church Extension Fund – Missouri Synod (LCEF), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years in the three-year period ended June 30, 2019, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lutheran Church Extension Fund – Missouri Synod as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years in the three-year period ended June 30, 2019, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri
August 16, 2019

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

ASSETS

	June 30	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 21,682	\$ 20,697
Investments, at fair market value – Note C.....	268,755	261,064
Accrued interest receivable (net of reserve of \$640 and \$709, respectively)	3,923	3,805
Loans receivable (net of allowance for losses of \$25,616 and \$27,649, respectively) – Note D.....	1,564,402	1,505,933
Real estate (net of valuation allowance of \$3,945 and \$5,809, respectively) – Note E....	19,483	26,324
Deferred charges and other assets – Note F	10,213	10,881
Total assets.....	<u>\$ 1,888,458</u>	<u>\$ 1,828,704</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 8,817	\$ 6,616
Notes and support dollars payable – Note H:		
Notes payable:		
Demand	555,883	587,895
Term	924,872	847,931
Total notes payable	1,480,755	1,435,826
Support dollars payable:		
Demand	75,221	64,954
Term	87,939	98,717
Total support dollars payable	163,160	163,671
Total notes and support dollars payable.....	1,643,915	1,599,497
Total liabilities	1,652,732	1,606,113
Net assets – Note B:		
Net assets without donor restrictions.....	233,988	220,872
Net assets with donor restrictions.....	1,738	1,719
Total net assets.....	235,726	222,591
Total liabilities and net assets	<u>\$ 1,888,458</u>	<u>\$ 1,828,704</u>

See notes to financial statements.

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (In Thousands)

	June 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest and dividend income:			
Loans, including fees	\$ 60,301	\$ 56,137	\$ 53,973
Loan interest rebates	(654)	(1,103)	(1,014)
Net loan interest income	59,647	55,034	52,959
Investments	8,140	8,661	9,342
Total interest and dividend income	67,787	63,695	62,301
Interest expense:			
Notes and support dollars payable	31,686	26,207	25,575
Other	125	72	79
Total interest expense	31,811	26,279	25,654
Net interest income	35,976	37,416	36,647
Provision for loan loss	104	137	95
Net interest income after provision	35,872	37,279	36,552
Consulting fee income	858	1,355	1,380
Operating expenses:			
Employee compensation and benefits	17,910	17,911	16,489
Technology and communications	1,687	1,668	1,477
Legal and professional services	1,206	1,108	1,236
Investor and loan support services	1,092	1,033	847
Marketing and research	2,768	1,555	1,338
Travel and meetings	2,115	1,975	1,848
Occupancy and equipment	1,331	1,297	1,149
Other	929	855	920
Total operating expenses	29,038	27,402	25,304
Net operating income	7,692	11,232	12,628
Other noninterest income (loss):			
Net gain (loss) on investments	7,329	(5,750)	(4,550)
Net rental income – Sunset office building	39	85	171
Net gain (loss) on real estate and foreclosed assets	1,845	1,394	(96)
Bequests and other gifts	1,369	1,281	1,292
Grant expense	(1,512)	(1,186)	(683)
Other revenue	32	31	7
Total noninterest income (loss)	9,102	(4,145)	(3,859)
Net income	16,794	7,087	8,769
Net assets at beginning of year	222,591	215,600	203,509
Transfer (to) from LCMS and new Member Districts	(1,454)	2,038	5,336
Distribution of earnings	(2,205)	(2,134)	(2,014)
Net assets at end of year	<u>\$ 235,726</u>	<u>\$ 222,591</u>	<u>\$ 215,600</u>

See notes to financial statements.

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

STATEMENTS OF CASH FLOWS (In Thousands)

	June 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Net income.....	\$ 16,794	\$ 7,087	\$ 8,769
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan loss.....	104	137	95
Provision for depreciation and amortization	969	1,030	976
Net (gain) loss on investments	(7,329)	5,750	4,550
Net (gain) loss on real estate and foreclosed assets.....	(1,845)	(1,394)	96
Net increase in accrued interest receivable	(117)	(44)	(87)
Net decrease in deferred charges and other assets.....	791	274	1,470
Net decrease in accounts payable.....	(1,458)	(2,227)	(1,837)
Net amortization of securities	728	1,168	1,377
Amortization of deferred loan fees, net.....	(599)	(576)	(735)
Other, net	(184)	(152)	(197)
Net cash provided by operating activities.....	<u>7,854</u>	<u>11,053</u>	<u>14,477</u>
Cash flows from investing activities:			
Proceeds from sales of investment securities.....	128,228	163,713	319,613
Proceeds from maturities of investment securities.....	19,141	21,940	39,904
Purchases of investment securities.....	(148,457)	(156,779)	(313,885)
Proceeds from payments on loans.....	215,052	214,309	219,598
Purchases of loans.....	(5,497)	(3,727)	(1,600)
Disbursements on loans	(269,111)	(241,002)	(270,066)
Proceeds from sale of real estate and foreclosed assets.....	10,494	12,201	6,882
Purchases of premises and equipment.....	(1,137)	(537)	(393)
Net cash (used in) provided by investing activities	<u>(51,287)</u>	<u>10,118</u>	<u>53</u>
Cash flows from financing activities:			
Proceeds from sales of notes and support dollars payable	545,845	475,806	450,392
Redemption of notes and support dollars payable.....	(529,899)	(520,026)	(473,164)
Reinvested interest on notes and support dollars payable	28,472	23,361	22,809
Repayment of bonds payable	-	-	(5,295)
Net cash provided by (used in) financing activities.....	<u>44,418</u>	<u>(20,859)</u>	<u>(5,258)</u>
Net change in cash and cash equivalents	985	312	9,272
Cash and cash equivalents at beginning of year.....	<u>20,697</u>	<u>20,385</u>	<u>11,113</u>
Cash and cash equivalents at end of year.....	<u>\$ 21,682</u>	<u>\$ 20,697</u>	<u>\$ 20,385</u>

See notes to financial statements.

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019, 2018 and 2017

Note A — Organization

The Lutheran Church Extension Fund—Missouri Synod (LCEF) was organized on October 1, 1978, as part of an overall plan to restructure the national and district church extension activities within The Lutheran Church—Missouri Synod (LCMS). LCEF was formed for religious, educational, and charitable purposes, including financing the acquisition of sites and the construction of facilities to aid expansion for effective programs of ministry, witness, outreach, and service. During the year ended June 30, 1981, the church extension funds of LCMS districts operating within the United States were first given the opportunity to transfer into LCEF.

LCEF is managed by a 12-member Board of Directors (Board) that establishes and monitors LCEF's policies. Members of LCEF elect eight of the directors, and LCMS's voting members elect three of the directors during their triennial conventions. The LCMS's Board of Directors designates the nonvoting twelfth Board member. Each Board member's term of office is three years, with a maximum of four consecutive terms. The President of LCMS, or a representative, may attend any Board meeting. A chairman, vice chairman, and secretary are elected annually. The President, as the Chief Executive Officer, has general management and supervision of LCEF's business and is elected annually by the Board. Each of the 31 LCMS districts that have transferred into LCEF (Member Districts) is represented by a Vice-President who is nominated by the district and elected by a vote of the Board.

Effective October 15, 2017 and April 1, 2017, the South Dakota District and the Ohio District, respectively, became Member Districts of the LCEF. The transfers were accounted for using the historical cost method of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 805-50 for transactions between entities under common control. Please refer to Note J for additional information.

LCEF is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is exempt from federal income tax on its related exempt activities under Code Section 501(a). LCEF is specifically included in the group exemption ruling issued by the Internal Revenue Service to LCMS.

Note B — Significant Accounting Policies

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting. For administrative purposes, Board-designated funds have been established to internally account for certain types of transactions; however, for reporting purposes, the assets, liabilities, and operations have been combined.

Revenue Recognition: Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. LCEF earns consulting fees from its contracts with ministries. These fees are primarily earned over time as LCEF provides the contracted services. Sales of real estate property are generally recognized, and any associated gain or loss, when control of the property transfers.

Net Assets Without Donor Restrictions: Net assets and contributions not subject to donor-imposed stipulations are classified as net assets without donor restrictions. This classification includes Board-designated funds, net realized gains (losses) on investments, and interest and dividend income on restricted endowments that are not stipulated by the donor or law for permanent reinvestment.

Net Assets With Donor Restrictions: Net assets and contributions subject to donor-imposed stipulations.

Administrative Services: Certain administrative services totaling \$385,000, \$383,000, and \$444,000 for the years ended June 30, 2019, 2018, and 2017, respectively, were purchased from LCMS and LCMS Foundation.

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019, 2018 and 2017

Building, Equipment, and Computer Software: Building, equipment, and computer software are included in deferred charges and other assets at cost, less accumulated depreciation and amortization. Depreciation is provided over the estimated useful lives of the respective assets, which range from 2 to 30 years, by the straight-line method. Purchased software costs are amortized over their estimated useful lives, which range from two to five years by the straight-line method.

Investment Securities: Investment securities are carried at fair value with gains and losses recognized in the statements of activities and changes in net assets as net gain or loss on investments. Interest and dividends net of related fees are accrued and credited to income when earned.

Operating Results: Portions of each year's operating results are distributed as grants to Member Districts and LCMS for activities related to church extension. Distributions are treated as net asset transactions rather than operating expenses. In addition, operating results, a portion of unrestricted gifts, and all gifts so designated are allocated to the Kaleidoscope Grant Fund which has been established to make grants to the LCMS, LCMS congregations, and Member Districts. Grants from the Kaleidoscope Grant Fund are recorded as an expense during the year in which specific grants are approved.

Interest on Loans: Interest income is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Refer to Note D, *Loans Receivable and Allowance for Loan Losses*, for summaries of LCEF's accounting policies regarding impaired loans and the related recognition of interest income, troubled debt restructurings and the allowance for loan losses.

Deferred Loan Fees and Costs: Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

Loan Sales and Related Servicing Rights: Gains or losses on loan sales are recognized at the time of sale and are determined by the difference between net sales proceeds and the principal balance of the loans sold, adjusted for net deferred loan fees or costs. LCEF retains the servicing rights of sold loans. Loan servicing income is recorded on the accrual basis and includes servicing fees received from investors and certain charges collected from borrowers.

Real Estate: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically obtained by management from third-party sources and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net gain or loss on real estate and foreclosed assets.

Cash Equivalents: For the purposes of the statements of cash flows, highly liquid investments with a maturity of three months or less at the date of acquisition generally are considered to be cash equivalents.

Guarantees: At the inception of a guarantee, LCEF recognizes a liability for the fair value of the obligation undertaken. LCEF amortizes this initial liability over the term of the guarantee on a straight-line basis.

Use of Estimates: The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Effective July 1, 2018, LCEF adopted ASU 2014-09, "Revenue from Contracts with Customers," and its related amendments. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance does not apply to revenue associated with financial instruments, such as loans and securities. The adoption of this guidance was not material to the financial statements of LCEF.

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU requires measurement and recognition of expected credit losses for financial assets held and holding an allowance equal to the expected life-of-loan losses on the loan portfolio. The standard, as amended by ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, is effective for fiscal periods beginning after December 15, 2021. The impact of the adoption of this ASU is currently being evaluated.

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019, 2018 and 2017

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, in order to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU primarily affects lessee accounting, which requires the lessee to recognize a right-of-use asset and a liability to make lease payments for those leases classified as operating leases under previous GAAP. For leases with a term of 12 months or less, an election by class of underlying asset not to recognize lease assets and lease liabilities is permitted. The ASU also provides additional guidance as to the definition of a lease, identification of lease components, and sale and leaseback transactions. The amendments in the ASU are effective for fiscal years beginning after December 15, 2019. The impact of the adoption of this ASU is currently being evaluated.

Note C — Investments

Investment securities at June 30, 2019 and 2018 are summarized as follows:

	(In Thousands)	
	June 30	
	<u>2019</u>	<u>2018</u>
Fixed income:		
Agency, Asset- and Mortgage-Backed Securities.....	\$ 139,893	\$ 133,857
Corporate Bonds and Debentures	38,634	46,868
Mutual Bond Funds	22,296	10,715
Taxable Municipal Bonds.....	10,536	15,161
High Yield Bond Funds	3,191	4,561
Yankee Bonds.....	1,005	-
Equities	45,858	41,912
Master Limited Partnership Mutual Fund	3,540	3,632
Floating Rate Loans Fund	2,249	2,824
Other	1,553	1,534
Total	<u>\$ 268,755</u>	<u>\$ 261,064</u>

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

NOTES TO FINANCIAL STATEMENTS

June 30, 2019, 2018 and 2017

Note D — Loans Receivable and Allowance for Loan Losses

Loans receivable at June 30, 2019 and 2018 are summarized as follows:

	(In Thousands)	
	June 30	
	<u>2019</u>	<u>2018</u>
Congregation:		
General.....	\$ 997,095	\$ 1,005,738
Specialized Ministry	9,437	12,385
Recognized Service Organizations:		
High Schools.....	98,329	92,312
Social Agencies.....	171,620	113,580
Synodical Entities:		
Synod and District.....	4,540	3,006
Higher Education	110,861	127,488
International	21,263	12,514
Rostered Church Workers:		
Housing.....	122,515	114,454
Consolidation	4,603	4,524
Home Equity	919	821
Other	48,917	47,041
	<u>1,590,099</u>	<u>1,533,863</u>
Add (less):		
Deferred loan fees/costs	(81)	(281)
Allowance for loan losses	(25,616)	(27,649)
Total	<u>\$ 1,564,402</u>	<u>\$ 1,505,933</u>

Generally, loans are written with a 20-year amortization period and have either a fixed interest rate for a 5-year or 10-year term or an adjustable rate for a 20-year term. Adjustable rate loans adjust either monthly, quarterly or annually. The interest rate is based on LCEF's cost of funds plus a margin of up to 3%, depending on the type of loan. As of both June 30, 2019 and 2018, 99% of total loans receivable were secured by collateral.

At June 30, 2019, 2018, and 2017, LCEF was servicing loans for others totaling \$6,220,000, \$1,380,000, and \$1,802,000, respectively. Servicing loans for others generally consists of collecting mortgage payments, disbursing payments to investors, and foreclosure processing.

Allowance for Loan Losses: The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. To determine the total allowance for loan losses, management takes into consideration the current economic conditions, changes in the character and size of the portfolio, past loan loss experience, probable future losses on loans to specific borrowers, changes to the credit rating assigned to each loan, the financial condition of the borrower and other pertinent factors that management believes require current recognition in estimating probable loan losses. The allowance for loan losses is increased by provisions for losses charged to expense and by the transfer of interest reserves when interest is capitalized as part of a troubled debt restructure and reduced by loans charged off, net of recoveries.

Estimation Process: Management has an established methodology to determine the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance, LCEF has segmented loans in the portfolio into the following pools: Congregation, Recognized Service Organization (RSO), Synodical Entities, International, Rostered Church Worker (RCW), and Other. LCEF further divides these segments into classes based on the associated risks within those segments. Congregation loans are divided into the following two classes: General and Specialized Ministry loans. RSO loans are divided into two classes: High Schools and Social Agencies. Synodical Entity loans are divided into two classes: Synod and District, and Higher Education. RCW loans are divided into three classes: Housing, Consolidation, and Home Equity.

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

NOTES TO FINANCIAL STATEMENTS

June 30, 2019, 2018 and 2017

In determining the allowance and the related provision for loan losses for each segment of the portfolio, LCEF utilizes percentage loss allocations assigned to the various categories of loans and the specific allowance calculated for any impaired loan for which the recorded investment in the loan exceeds the estimated recoverable amount of the loan. LCEF considers recorded investment in loans to include accrued interest and deferred loan fees/costs.

To establish the loss percentages applied to the credit categories for the various loan segments and classes, management monitors historical loan charge-offs and the loss emergence and pre-emergence periods, and utilizes this information, along with other factors, to establish and evaluate the allowance percentages applied to the various credit categories. To estimate the impairment loss for impaired loans for which the stated recorded investment in the loan exceeds the estimated recoverable amount of the loan, management establishes specific reserves on a loan-by-loan basis based primarily on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is considered collateral dependent.

The following table presents by portfolio segment the changes in the allowance for loan losses and recorded investment in loans for the year ended June 30, 2019:

(In Thousands)							
June 30, 2019							
	<u>Congregation</u>	<u>RSO</u>	<u>Synodical</u>	<u>International</u>	<u>RCW</u>	<u>Other</u>	<u>Total</u>
Activity in allowance for loan losses:							
Beginning balance.....	\$ 23,988	\$ 1,392	\$ 1,734	\$ 68	\$ 214	\$ 253	\$ 27,649
Charge-offs	(919)	-	(1,896)	-	-	-	(2,815)
Recoveries.....	2	-	482	-	13	-	497
Provision charged to expense	(347)	507	22	4	(55)	(27)	104
Interest reserve transfer	178	3	-	-	-	-	181
Ending balance.....	<u>\$ 22,902</u>	<u>\$ 1,902</u>	<u>\$ 342</u>	<u>\$ 72</u>	<u>\$ 172</u>	<u>\$ 226</u>	<u>\$ 25,616</u>
Allowance balance at end of period based on:							
Loans individually evaluated for							
impairment	\$ 17,326	\$ 1,586	\$ -	\$ -	\$ 95	\$ -	\$ 19,007
Loans collectively evaluated for							
impairment	5,576	316	342	72	77	226	6,609
Total balance end of period.....	<u>\$ 22,902</u>	<u>\$ 1,902</u>	<u>\$ 342</u>	<u>\$ 72</u>	<u>\$ 172</u>	<u>\$ 226</u>	<u>\$ 25,616</u>

In addition to the allowance for loan losses shown above, a reserve for accrued interest receivable of \$640,000 at June 30, 2019 has been established. This reserve is netted against accrued interest receivable on the statements of financial position.

Recorded investment in loans receivable at June 30, 2019:

(In Thousands)							
June 30, 2019							
	<u>Congregation</u>	<u>RSO</u>	<u>Synodical</u>	<u>International</u>	<u>RCW</u>	<u>Other</u>	<u>Total</u>
Total loans receivable	\$ 1,008,787	\$ 270,770	\$ 115,690	\$ 21,341	\$ 128,061	\$ 49,051	\$ 1,593,700
Loans receivable individually							
evaluated for impairment....	71,096	4,954	-	-	300	-	76,350
Loans receivable collectively							
evaluated for impairment....	937,691	265,816	115,690	21,341	127,761	49,051	1,517,350

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

NOTES TO FINANCIAL STATEMENTS

June 30, 2019, 2018 and 2017

The following table presents by portfolio segment the changes in the allowance for loan losses and recorded investment in loans for the year ended June 30, 2018:

(In Thousands)							
June 30, 2018							
	<u>Congregation</u>	<u>RSO</u>	<u>Synodical</u>	<u>International</u>	<u>RCW</u>	<u>Other</u>	<u>Total</u>
Activity in allowance for loan losses:							
Beginning balance.....	\$ 26,406	\$ 2,371	\$ 15	\$ 94	\$ 281	\$ 234	\$ 29,401
Charge-offs	(2,242)	(302)	-	-	(167)	-	(2,711)
Recoveries.....	107	-	-	-	-	-	107
Provision charged to expense.....	(775)	(900)	1,719	(26)	100	19	137
Reserve transfer from new							
Member district.....	22	-	-	-	-	-	22
Interest reserve transfer.....	470	223	-	-	-	-	693
Ending balance.....	<u>\$ 23,988</u>	<u>\$ 1,392</u>	<u>\$ 1,734</u>	<u>\$ 68</u>	<u>\$ 214</u>	<u>\$ 253</u>	<u>\$ 27,649</u>
Allowance balance at end of period based on:							
Loans individually evaluated for							
impairment	\$ 19,075	\$ 1,148	\$ 1,459	\$ -	\$ 123	\$ 28	\$ 21,833
Loans collectively evaluated for							
impairment	4,913	244	275	68	91	225	5,816
Total balance end of period.....	<u>\$ 23,988</u>	<u>\$ 1,392</u>	<u>\$ 1,734</u>	<u>\$ 68</u>	<u>\$ 214</u>	<u>\$ 253</u>	<u>\$ 27,649</u>

In addition to the allowance for loan losses shown above, a reserve for accrued interest receivable of \$709,000 at June 30, 2018 has been established. This reserve is netted against accrued interest receivable on the statements of financial position.

Recorded investment in loans receivable at June 30, 2018:

(In Thousands)							
June 30, 2018							
	<u>Congregation</u>	<u>RSO</u>	<u>Synodical</u>	<u>International</u>	<u>RCW</u>	<u>Other</u>	<u>Total</u>
Total loans receivable	\$ 1,020,459	\$206,537	\$130,795	\$ 12,626	\$119,837	\$47,091	\$1,537,345
Loans receivable individually							
evaluated for impairment.....	82,452	9,442	1,491	-	396	755	94,536
Loans receivable collectively							
evaluated for impairment.....	938,007	197,095	129,304	12,626	119,441	46,336	1,442,809

The activity in the allowance for loan loss was as follows:

(In Thousands)			
June 30			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance.....	\$ 27,649	\$ 29,401	\$ 37,269
Provision charged to expense.....	104	137	95
Loans charged-off.....	(2,815)	(2,711)	(8,451)
Reserve transfer from new Member District.....	-	22	280
Transfer from accrued interest reserve.....	181	693	206
Recoveries of loans previously charged-off.....	497	107	2
Ending balance.....	<u>\$ 25,616</u>	<u>\$ 27,649</u>	<u>\$ 29,401</u>

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

NOTES TO FINANCIAL STATEMENTS

June 30, 2019, 2018 and 2017

Credit Quality Information: The credit quality of the loan portfolio is monitored using an internal rating system that reflects management's risk assessment based on an analysis of the borrower's financial condition, the condition of the ministry, cash flows and the delinquency status of the loan. The internal system assigns one of the following four risk gradings: Pass, Special Mention (or Watch), Substandard, and Impaired. A description of the risk grading categories is listed below:

Pass – Reflects acceptable risk.

Special Mention (or Watch) – Considered a watch rating rather than an “adverse” rating and is assigned to loans where the borrower exhibits trends that, if left uncorrected, may threaten their capacity to perform.

Substandard – Assigned to loans where the borrower exhibits well-defined weaknesses that jeopardize its continued performance and are of a severity that the distinct possibility of default exists.

Impaired – Loan has been placed on nonaccrual status, has been restructured, or it has been determined that LCEF will not be able to collect all amounts due according to the loan contract.

The following table summarizes the recorded investment of the loan portfolio by credit rating within segments and classes as of June 30, 2019:

		(In Thousands)				
		June 30, 2019				
<u>Segment</u>	<u>Class</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Impaired</u>	<u>Total</u>
Congregation	General.....	\$ 794,815	\$ 109,825	\$ 23,601	\$ 71,096	\$ 999,337
	Specialized Ministry .	9,237	-	213	-	9,450
RSO	High Schools.....	68,118	25,226	1,471	3,791	98,606
	Social Agencies.....	138,893	31,913	195	1,163	172,164
Synodical	Synod and District....	4,603	-	-	-	4,603
	Higher Education	111,087	-	-	-	111,087
International	.....	17,368	445	3,528	-	21,341
RCW	Housing.....	121,191	1,150	-	180	122,521
	Consolidation	3,983	492	23	120	4,618
	Home Equity	922	-	-	-	922
Other	.....	26,066	22,985	-	-	49,051
Total	.....	<u>\$ 1,296,283</u>	<u>\$ 192,036</u>	<u>\$ 29,031</u>	<u>\$ 76,350</u>	<u>\$1,593,700</u>

The following table summarizes the recorded investment of the loan portfolio by credit rating within segments and classes as of June 30, 2018:

		(In Thousands)				
		June 30, 2018				
<u>Segment</u>	<u>Class</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Impaired</u>	<u>Total</u>
Congregation	General.....	\$ 751,286	\$ 152,670	\$ 21,642	\$ 82,452	\$1,008,050
	Specialized Ministry .	8,571	3,098	740	-	12,409
RSO	High Schools.....	56,588	28,859	-	7,148	92,595
	Social Agencies.....	87,218	24,430	-	2,294	113,942
Synodical	Synod and District....	3,041	-	-	-	3,041
	Higher Education	126,263	-	-	1,491	127,754
International	.....	8,577	466	3,583	-	12,626
RCW	Housing.....	113,298	921	-	259	114,478
	Consolidation	3,908	491	-	137	4,536
	Home Equity	764	59	-	-	823
Other	.....	27,309	19,027	-	755	47,091
Total	.....	<u>\$ 1,186,823</u>	<u>\$ 230,021</u>	<u>\$ 25,965</u>	<u>\$ 94,536</u>	<u>\$1,537,345</u>

Age Analysis of Past-Due Financing Receivables by Class: For all classes of loans, LCEF considers the entire balance of a loan contractually delinquent if the minimum payment is not received by the specified due date. Interest and fees continue to accrue on past-due loans until the date the loan goes into nonaccrual status. In general, LCEF places loans on nonaccrual status when, in the

(continued)

LUTHERAN CHURCH EXTENSION FUND—MISSOURI SYNOD

NOTES TO FINANCIAL STATEMENTS

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opinion of management, the ultimate collection of interest or principal is no longer probable or the loans reach a certain number of days past due, which vary among the segments of loans as follows:

Congregation loans are placed on nonaccrual status when they become 365 days past due.

RSO, Synodical Entity, International and Other loans are placed on nonaccrual status when they become 180 days past due.

RCW loans are placed on nonaccrual status when they become 90 days past due.

When management places a loan on nonaccrual status, previously accrued but unpaid interest is charged against interest income and the loan is accounted on the cash method until it qualifies for return to accrual status.

Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates that the timely collection of principal and interest is probable and the borrower demonstrates the ability to pay under the terms of the note through a sustained period of repayment performance, which is generally a period of six months.

Nonaccrual/nonperforming loans at June 30, 2019 and 2018 represented 4.3% and 5.2% of the loan portfolio, respectively.

The table below provides an aging analysis of the recorded investment in loans receivable by class that were more than 30 days past due as of June 30, 2019:

		(In Thousands)							
		June 30, 2019							
<u>Segment</u>	<u>Class</u>	<u>31—60 Days Past Due</u>	<u>61—90 Days Past Due</u>	<u>Greater Than 90 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Portfolio</u>	<u>90 Days or More and Still Accruing</u>	<u>Non Accrual Status</u>
Congregation	General.....	\$ 127	\$ 626	\$ 1,705	\$ 2,458	\$ 996,879	\$ 999,337	\$ 1,501	\$ 63,861
	Specialized Ministry .	-	-	-	-	9,450	9,450	-	-
RSO	High Schools.....	1,679	-	2,490	4,169	94,437	98,606	-	3,687
	Social Agencies.....	151	-	1,258	1,409	170,755	172,164	194	998
Synodical	Synod and District	46	-	-	46	4,557	4,603	-	-
	Higher Education	-	-	-	-	111,087	111,087	-	-
International	.....	-	-	3,973	3,973	17,368	21,341	-	-
RCW	Housing	-	-	180	180	122,341	122,521	-	174
	Consolidation	-	5	-	5	4,613	4,618	-	120
	Home Equity	78	-	-	78	844	922	-	-
Other	.....	-	-	-	-	49,051	49,051	-	-
Total	.....	<u>\$ 2,081</u>	<u>\$ 631</u>	<u>\$ 9,606</u>	<u>\$ 12,318</u>	<u>\$ 1,581,382</u>	<u>\$ 1,593,700</u>	<u>\$ 1,695</u>	<u>\$ 68,840</u>

The table below provides an aging analysis of the recorded investment in loans receivable by class that were more than 30 days past due as of June 30, 2018:

		(In Thousands)							
		June 30, 2018							
<u>Segment</u>	<u>Class</u>	<u>31—60 Days Past Due</u>	<u>61—90 Days Past Due</u>	<u>Greater Than 90 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Portfolio</u>	<u>90 Days or More and Still Accruing</u>	<u>Non Accrual Status</u>
Congregation	General.....	\$ 10,460	\$ 319	\$ 3,368	\$ 14,147	\$ 993,903	\$ 1,008,050	\$ 535	\$ 71,187
	Specialized Ministry .	-	-	-	-	12,409	12,409	-	-
RSO	High Schools.....	4,323	3,799	2,543	10,665	81,930	92,595	-	3,968
	Social Agencies.....	-	-	2,294	2,294	111,648	113,942	-	2,218
Synodical	Synod and District	47	-	-	47	2,994	3,041	-	-
	Higher Education	-	-	1,491	1,491	126,263	127,754	1,491	1,459
International	.....	-	466	3,583	4,049	8,577	12,626	-	-
RCW	Housing	-	-	259	259	114,219	114,478	-	255
	Consolidation	-	-	-	-	4,536	4,536	-	137
	Home Equity	-	-	-	-	823	823	-	-
Other	.....	-	-	756	756	46,335	47,091	29	734
Total	.....	<u>\$ 14,830</u>	<u>\$ 4,584</u>	<u>\$ 14,294</u>	<u>\$ 33,708</u>	<u>\$ 1,503,637</u>	<u>\$ 1,537,345</u>	<u>\$ 2,055</u>	<u>\$ 79,958</u>

Impaired Loans: Management considers a loan to be impaired when it is placed on nonaccrual status, is restructured or when, based on current information and events, it is determined that LCEF will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. When management identifies a loan as impaired, the amount of impairment is measured

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based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs when foreclosure is probable. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), an impairment charge is recognized through a provision for loan losses.

When the ultimate collection of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance. Also presented are the average recorded investments in the impaired loans and the related amount of interest recognized within the period that the loans were impaired. The average balances are calculated based on the month-end balances of the financing receivables of the period reported.

		(In Thousands)				
		June 30, 2019			Year Ended June 30, 2019	
<u>Segment</u>	<u>Class</u>	<u>Recorded</u> <u>Investment</u>	<u>Unpaid</u> <u>Principal</u> <u>Balance</u>	<u>Related</u> <u>Allowance</u>	<u>Average</u> <u>Recorded</u> <u>Investment</u>	<u>Interest</u> <u>Income</u> <u>Recognized</u>
Congregation	General	\$ 71,096	\$ 70,711	\$ 17,326	\$ 71,615	\$ 398
	Specialized Ministry....	-	-	-	-	-
RSO	High Schools	3,791	3,687	589	3,818	61
	Social Agencies	1,163	997	997	2,049	-
Synodical	Synod and District.....	-	-	-	-	-
	Higher Education	-	-	-	-	-
International	.....	-	-	-	-	-
RCW	Housing	180	174	61	178	2
	Consolidation	120	120	34	127	-
	Home Equity	-	-	-	-	-
Other	.....	-	-	-	-	-
Total	.....	<u>\$ 76,350</u>	<u>\$ 75,689</u>	<u>\$ 19,007</u>	<u>\$ 77,787</u>	<u>\$ 461</u>

The Related Allowance above is exclusive of the accrued interest reserve of \$640,000 at June 30, 2019.

		(In Thousands)				
		June 30, 2018			Year Ended June 30, 2018	
<u>Segment</u>	<u>Class</u>	<u>Recorded</u> <u>Investment</u>	<u>Unpaid</u> <u>Principal</u> <u>Balance</u>	<u>Related</u> <u>Allowance</u>	<u>Average</u> <u>Recorded</u> <u>Investment</u>	<u>Interest</u> <u>Income</u> <u>Recognized</u>
Congregation	General	\$ 82,452	\$ 81,936	\$ 19,075	\$ 82,763	\$ 347
	Specialized Ministry....	-	-	-	-	-
RSO	High Schools	7,148	7,055	204	7,167	171
	Social Agencies	2,294	2,218	944	2,286	32
Synodical	Synod and District.....	-	-	-	-	-
	Higher Education	1,491	1,459	1,459	1,491	33
International	.....	-	-	-	-	-
RCW	Housing	259	255	89	258	6
	Consolidation	137	137	34	145	-
	Home Equity	-	-	-	-	-
Other	.....	755	734	28	758	13
Total	.....	<u>\$ 94,536</u>	<u>\$ 93,794</u>	<u>\$ 21,833</u>	<u>\$ 94,868</u>	<u>\$ 602</u>

The Related Allowance above is exclusive of the accrued interest reserve of \$709,000 at June 30, 2018.

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Loan Charge-off Policies: Loans are generally fully or partially charged down to the fair value of the collateral securing the loan when:

- Management judges the loan or a portion thereof to be uncollectible.
- The borrower has filed bankruptcy and the loss becomes evident.

The primary means utilized by the LCEF to resolve delinquencies consists of restructuring the delinquent loan in a manner that provides a period of time with reduced payment requirements to provide opportunity to resolve the issues causing the delinquencies. The mission of LCEF and its relationship with its borrowers is unlike that of a traditional lender. Therefore, LCEF may be more willing to accept partial, deferred or late payments; and may agree to modify loan terms as part of a loan restructuring in lieu of exercising its right to foreclose.

When a delinquent loan is restructured, outstanding accrued interest is capitalized to the principal balance of the loan, and the interest reserves associated with the delinquent loan are transferred to the specific allowance for loan losses associated with the restructured loan.

Troubled Debt Restructurings: The following is a summary of the unpaid principal balance and recorded investment of troubled debt restructurings as of June 30, 2019 and 2018. The recorded investment of certain loan categories exceeds the unpaid principal balance of such categories due to the inclusion of accrued interest.

	(In Thousands)			
	June 30, 2019		June 30, 2018	
	Unpaid Principal Balance Net of Charge-Offs	Recorded Investment	Unpaid Principal Balance Net of Charge-Offs	Recorded Investment
<u>Classified as Non-performing Loans:</u>				
Current Under Restructured Terms.....	\$ 61,470	\$ 61,821	\$ 67,502	\$ 67,850
Past Due Under Restructured Terms ..	190	195	193	195
Total Non-performing.....	61,660	62,016	67,695	68,045
Returned to Accrual Status.....	3,553	3,561	10,749	10,754
Total Troubled Debt Restructurings ...	<u>\$ 65,213</u>	<u>\$ 65,577</u>	<u>\$ 78,444</u>	<u>\$ 78,799</u>

Of the total troubled debt restructurings of \$65,213,000 and \$78,444,000 at June 30, 2019 and 2018, respectively; \$14,475,000 and \$16,076,000, respectively, require monthly principal payments; \$3,552,000 and \$6,557,000, respectively, require interest only payments; \$0- and \$10,831,000, respectively, require a principal payment based on the borrowers' net income; and \$47,186,000 and \$44,980,000, respectively, require no payments prior to maturity.

A loan is classified as troubled debt restructuring if LCEF, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Such concessions usually include a modification of loan terms, such as a reduction of the rate to below-market terms, adding past-due interest to the loan balance or extending the maturity date.

A loan classified as troubled debt restructuring will generally retain such classification until the loan returns to a market rate or has been paid in full. Interest income on restructured loans is accrued at the reduced rate and the loan is returned to performing status once the borrower demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally six months.

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Accruing loans that were restructured and classified as a troubled debt restructuring for the years ended June 30, 2019 and 2018 and restructured loans that qualify as a troubled debt restructuring that defaulted during the years ended June 30, 2019 and 2018, are presented in the table below. LCEF considers a loan to have defaulted when it becomes 90 or more days delinquent under the modified terms, has been transferred to nonaccrual status, has been charged off or has been acquired through or in lieu of foreclosure.

	(In Thousands)			
	Total TDR Restructures During Year Ended June 30,		Defaulted During Year Ended June 30,	
	2019	2018	2019	2018
Congregations – General.....	\$ 2,411	\$ 7,089	\$ 195	\$ 195
RSO – High Schools	1,297	-	-	-
RSO – High Schools	10	-	-	-
RCW Consolidation	-	17	-	-
Total.....	<u>\$ 3,718</u>	<u>\$ 7,106</u>	<u>\$ 195</u>	<u>\$ 195</u>

The financial impact of troubled debt restructurings can include loss of interest due to reductions in interest rates and increases in the provision for losses. The gross amount of interest that would have been recognized under the original terms of renegotiated loans was \$2,513,000 and \$2,672,000 for the years ended June 30, 2019 and 2018, respectively. The actual amount of interest income recognized under the restructured terms totaled \$684,000 and \$1,028,000 for the years ended June 30, 2019 and 2018, respectively.

Included in impaired loans at June 30, 2019 and 2018 were \$65,213,000 and \$78,444,000, respectively, of loans that were modified and are classified as troubled debt restructurings because of the borrower's financial difficulties. The restructured terms of the loans generally included a reduction of the interest rates and the addition of past-due interest to the principal balance of the loans. At June 30, 2019, \$65,023,000, or 99.7%, of these loans were performing as agreed under the modified terms of the loans compared to \$78,251,000 or 99.8%, at June 30, 2018. Specific loan loss allowances related to troubled debt restructurings at June 30, 2019 and 2018 were \$17,584,000 and \$19,315,000, respectively.

Note E — Real Estate

Real estate at June 30, 2019 and 2018, net of valuation allowance, is summarized below:

	(In Thousands)	
	June 30	
	<u>2019</u>	<u>2018</u>
Beginning balance.....	\$ 26,324	\$ 36,193
Additions	1,581	880
Sales.....	(9,130)	(10,152)
Valuation adjustments.....	<u>708</u>	<u>(597)</u>
Ending balance.....	<u>\$ 19,483</u>	<u>\$ 26,324</u>

Activity in the real estate valuation allowance for the years ended June 30, 2019, 2018, and 2017 is summarized as follows:

	(In Thousands)		
	June 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance.....	\$ 5,809	\$ 5,212	\$ 5,426
Provision (reduction) for valuation adjustments	(708)	597	(314)
Transfer from new Member District	-	-	112
Charge-offs	<u>(1,156)</u>	<u>-</u>	<u>(12)</u>
Ending balance.....	<u>\$ 3,945</u>	<u>\$ 5,809</u>	<u>\$ 5,212</u>

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Note F — Deferred Charges and Other Assets

	(In Thousands)	
	June 30	
	<u>2019</u>	<u>2018</u>
Sunset office building (net of accumulated depreciation of \$12,399,000 and \$11,696,000, respectively).....	\$ 4,117	\$ 4,199
Pledges receivable	3,186	3,294
Sunset office land	829	829
Prepaid expense.....	118	539
Computer software (net of accumulated amortization of \$1,841,000 and \$1,777,000, respectively).....	46	109
Other	<u>1,917</u>	<u>1,911</u>
	<u>\$10,213</u>	<u>\$10,881</u>

Depreciation and amortization expense aggregated to \$969,000, \$1,030,000, and \$976,000, for fiscal years 2019, 2018, and 2017, respectively.

Note G — Short-term Debt

LCEF has maintained a line-of-credit agreement, which is secured by certain investments, in the amount of \$100,000,000 with UMB Bank that expires on December 31, 2019. LCEF expects to either renew or replace the agreement as it expires. At June 30, 2019 and 2018, no balance was outstanding.

Note H — Notes and Support Dollars Payable

Demand notes payable primarily consist of demand and StewardAccount™ certificates. Interest is paid either periodically or accumulates and is accrued at a variable interest rate.

Term notes payable consist of certificates with various maturities ranging from 90 days to 20 years. Interest is paid either periodically or accumulates and is accrued at either a fixed interest rate or a variable interest rate.

The interest rate for each note or certificate is established within a certain interest rate range for comparable investments having similar terms, as described in the LCEF Offering Circular.

Support Dollars are an arrangement for LCMS corporations to invest funds with LCEF on a demand or term basis.

The Support Dollars payable balances of nonmember districts, Member Districts, and other LCMS entities were as follows:

	(In Thousands)	
	June 30	
	<u>2019</u>	<u>2018</u>
LCMS entities	\$ 62,411	\$ 67,406
Nonmember districts	46,958	47,274
Member districts.....	<u>53,791</u>	<u>48,991</u>
	<u>\$163,160</u>	<u>\$163,671</u>

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Scheduled maturities of notes and support dollars payable, as of June 30, 2019, follow:

(In Thousands)			
<u>Year Ending June 30,</u>	<u>Support Dollars</u>	<u>Notes Payable</u>	<u>Total</u>
Demand.....	\$ 75,221	\$ 555,883	\$ 631,104
2020	41,248	346,284	387,532
2021	11,966	153,355	165,321
2022	6,730	271,184	277,914
2023	2,363	78,673	81,036
2024	25,632	46,785	72,417
After 2024	-	28,591	28,591
	<u>\$163,160</u>	<u>\$1,480,755</u>	<u>\$ 1,643,915</u>

Note I — Financial Instruments With Off-Balance-Sheet Risk

At June 30, 2019 and 2018, commitments have been authorized to make additional church extension loans amounting to approximately \$204,569,000 and \$199,665,000, respectively. These commitments relate to real estate mortgages which, if funded, would be collateralized by the related properties. Loan commitments expire one year from the date of origination, and the resulting loans carry either an adjustable or a fixed interest rate. Adjustable interest rate loans carry an interest rate that is the lower of the rate at the loan approval date, the commitment date, or the closing date. Fixed-rate loans carry the prevailing interest rate at the date of closing. Additionally, at June 30, 2019 and 2018, line-of-credit commitments, primarily to LCMS, districts, and Concordia University System, have been authorized amounting to \$117,037,000 and \$107,978,000, respectively, against which \$26,850,000 and \$31,822,000 had been drawn, respectively. Line-of-credit commitments are renegotiated at least once every three years.

The above commitments are subject to the same underwriting standards as loans issued by LCEF. Management does not anticipate any significant losses as a result of the above commitments.

As of June 30, 2019, LCEF had entered into an outstanding loan guarantee agreement with maximum undiscounted payments that could be required of LCEF totaling \$5,231,000 and liabilities related to the fair value of the guarantees totaling \$5,000. The loan guarantee agreement expires August 1, 2019 and is expected to be renewed for successive annual periods to the extent the related guaranteed letter-of-credit agreement is renewed. Outstanding loan guarantee agreement:

(In Thousands)			
	<u>Maximum Undiscounted Amount of Potential Future Payment by LCEF</u>	<u>Liability Related to Guarantee</u>	<u>Expiration Date of Guarantee</u>
Concordia University – St. Paul (2007 series).....	\$ 5,231	\$ 5	Aug. 1, 2019
	<u>\$ 5,231</u>	<u>\$ 5</u>	

The above borrowing institution is required to repay the principal and interest to the outstanding creditor, a bank providing a letter of credit to the tax-exempt bondholders. The ability of the institution to repay depends on its management's capability to effectively and efficiently manage its operations. To the extent that the institution is not able to make its debt service payments when due per the terms of the guarantee, LCEF will be required to pay the bank to meet these obligations. If the bank declines to renew the letter of credit, and the borrower is unable to obtain a replacement letter of credit from another bank, or, if the holders of the outstanding bonds tender them for redemption and the bonds are unable to be remarketed, LCEF may be required to pay the bank for amounts drawn on the letter of credit to repay the holders of the currently outstanding tax-exempt bonds. To the extent LCEF is required to perform under the guarantee, the resulting indebtedness to LCEF would be secured by a property lien. At June 30, 2019 and 2018, no loss contingency accrual had been made as any risk of loss was not determined to be probable.

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Note J — Cash Flows

During 2019, 2018, and 2017, loans totaling \$1,581,000, \$880,000, and \$511,000, respectively, were transferred to real estate and other assets. Interest paid on notes and support dollars payable and borrowed funds was \$31,781,000, \$26,259,000, and \$25,701,000, for 2019, 2018, and 2017, respectively. There were no new Member Districts during 2019. During 2018 and 2017, assets, liabilities and net assets transferred from a new Member District included, respectively, investments of \$6,919,000 and \$18,770,000; accounts receivable of \$123,000 and \$144,000; accrued interest receivable of \$2,000 and \$65,000; loans of \$5,296,000 and \$25,629,000; real estate of \$-0- and \$1,152,000; accounts payable of \$42,000 and \$125,000; notes payable of \$10,260,000 and \$40,299,000; and net assets of \$2,038,000 and \$5,336,000.

Note K — Fair Values of Financial Instruments

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, requires disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position, for which it is practicable to estimate fair value.

Fair values for financial instruments are estimates of the values at which the instruments could be exchanged in a transaction between willing parties. These estimates are subjective and may vary significantly from amounts that would be realized in actual transactions. In addition, certain financial instruments and all nonfinancial instruments are excluded from the fair value disclosure requirements of ASC Topic 820. Therefore, the fair values presented should not be construed as the underlying value of LCEF.

The following methods and assumptions were used in estimating fair value disclosures for financial instruments as required by ASC Topic 820:

Cash and cash equivalents: The carrying amounts reported in the statements of financial position for cash and short-term instruments approximate those assets' fair values.

Investments: Investment securities are reported in the statements of financial position at fair value based on quoted market prices where available. If quoted market prices were not available, fair values were based upon quoted market prices of comparable instruments.

Accrued interest receivable: The carrying amounts of accrued interest approximate fair value.

Loans receivable: For adjustable rate loans, fair values are based on carrying values because they reprice at least annually. The fair values of fixed-rate loans are estimated using discounted cash flow analyses. Interest rates currently being offered for similar types of loans and terms are used for discounting purposes. This method of estimating fair value does not incorporate the exit-price concept of fair value prescribed by ASC Topic 820.

Notes and support dollars payable: The carrying amounts for demand and variable rate term notes and support dollars approximate their fair values at the reporting date. Fair values for fixed-rate notes are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar notes to a schedule of aggregated expected yearly maturities.

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The estimated fair values of LCEF's financial instruments were as follows:

(In Thousands)				
June 30				
2019		2018		
Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Financial assets:				
Cash and cash equivalents.....	\$ 21,682	\$ 21,682	\$ 20,697	\$ 20,697
Investments	268,755	268,755	261,064	261,064
Accrued interest receivable	3,923	3,923	3,805	3,805
Loans receivable	1,564,402	1,550,081	1,505,933	1,495,244

(In Thousands)				
June 30				
2019		2018		
Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Financial liabilities:				
Notes and support dollars payable.....	\$ 1,643,915	\$ 1,643,400	\$ 1,599,497	\$ 1,598,125

ASC Topic 820 specifies a hierarchy prioritizing the inputs to the valuation techniques based upon whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect an organization's market assumptions. In accordance with ASC Topic 820, these two types of inputs have created the following fair value hierarchy:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets.

Level 3 – Inputs are unobservable inputs for the asset or liability and significant to the fair value. These may be internally developed using the organization's best information and assumptions that a market participant would consider.

The following table presents for each of the fair value hierarchy levels, LCEF's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019:

(In Thousands)				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Investments:				
Fixed Income.....	\$ 215,555	\$ 25,487	\$ 190,068	\$ -
Equities	45,858	45,858	-	-
Other	7,342	5,789	1,553	-
Total.....	<u>\$ 268,755</u>	<u>\$ 77,134</u>	<u>\$ 191,621</u>	<u>\$ -</u>

The following table presents for each of the fair value hierarchy levels, LCEF's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2018:

(In Thousands)				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Investments:				
Fixed Income.....	\$ 211,162	\$ 15,276	\$ 195,886	\$ -
Equities	41,912	41,912	-	-
Other	7,990	6,456	1,534	-
Total.....	<u>\$ 261,064</u>	<u>\$ 63,644</u>	<u>\$ 197,420</u>	<u>\$ -</u>

(continued)

Certain assets are measured at fair value on a nonrecurring basis. These include assets that are recorded at the lower of cost or fair value, and as a result, may be recognized at fair value.

Impaired loans: LCEF does not record loans at fair value on a recurring basis other than loans that are considered impaired. Once a loan is identified as individually impaired, management measures impairment generally based on fair values of the underlying collateral obtained through independent appraisals, internal evaluations, or by discounting the total expected future cash flows. Once the fair value of the collateral has been determined and any impairment amount calculated, a specific reserve allocation is made. Because many of these inputs are not observable, the measurements are classified as Level 3.

Real estate: Real estate includes assets acquired through, or in lieu of, foreclosure and is initially recorded at fair value of the collateral less estimated selling costs. LCEF relies on external appraisals and assessment of property values by internal staff. Subsequent to foreclosure, valuations are updated periodically, and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Because many of these inputs are not observable, the measurements are classified as Level 3.

The following table presents LCEF's assets that are measured at fair value on a nonrecurring basis at June 30, 2019:

	(In Thousands)				Total Gains (Losses)
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets:					
Impaired loans, net	\$ 44,245	\$ -	\$ -	\$ 44,245	\$ 516
Real estate	19,483	-	-	19,483	708
Total	<u>\$ 63,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,728</u>	<u>\$ 1,224</u>

The following table presents LCEF's assets that are measured at fair value on a nonrecurring basis at June 30, 2018:

	(In Thousands)				Total Gains (Losses)
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets:					
Impaired loans, net	\$ 51,074	\$ -	\$ -	\$ 51,074	\$ (454)
Real estate	26,324	-	-	26,324	(597)
Total	<u>\$ 77,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,398</u>	<u>\$ (1,051)</u>

Note L — Pension Expense

LCEF participates in the Concordia Plan Services of LCMS. Substantially all full-time employees are covered by these plans. LCEF contributes a fixed percentage of each participant's salary to the Concordia Retirement Plan and the Concordia Disability and Survivorship Plan. Retirement program expense was \$816,000, \$797,000, and \$749,000, and disability program expense was \$194,000, \$190,000, and \$180,000, for the years ended June 30, 2019, 2018, and 2017, respectively.

Note M — Subsequent Events

LCEF has evaluated all subsequent events through August 16, 2019, which represents the date of this document, to ensure that the accompanying financial statements include the effects of any subsequent events that should be recognized in such financial statements as of June 30, 2019, and the appropriate disclosure of any subsequent events that were not recognized in the financial statements.

The outstanding loan guarantee agreement benefiting Concordia University – St. Paul and described further in Note I has been renewed through August 1, 2020.

PRIVACY POLICY

WHAT YOU SHOULD KNOW

LCEF recognizes the importance of keeping information about you secure and confidential. It's important for you to know that, unlike many financial institutions, we do not sell or share any consumer's nonpublic personal information with outside marketers. You also need to know that we carefully manage information you provide to give you better service and more convenience.

This document describes LCEF's policy with respect to nonpublic personal information about consumers, which means personally identifiable information about a consumer or a consumer's current or former relationship with LCEF ("Consumer Information"). This policy is provided to you as required by federal law.

MAKING THE SECURITY OF INFORMATION A PRIORITY

Keeping financial information secure is important. We value your trust and handle information about you with care. We limit access to Consumer Information to those persons who need to know that information to provide LCEF's investment products and services to you. LCEF personnel and LCEF's service providers having access to Consumer Information are required by LCEF to maintain confidential treatment of Consumer Information.

We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard Consumer Information. We periodically assess new technology for protecting information and upgrading our systems when appropriate.

COLLECTING INFORMATION

We collect and use various types of information to service your investment and loan accounts. This enables us to help you learn more about investments and other products and services that may be of interest to you.

We collect Consumer Information from the following sources:

1. Information you provide to us on applications and through other means, such as your name, address, and telephone number.
2. Information about your transactions and account experience with us, such as your account balance, your loan payment history, and your account activity.
3. Information from a consumer report, such as information regarding your creditworthiness or credit history. (This currently applies only to rostered church worker loan applicants or borrowers and to Investors who have applied for a StewardAccount or FlexPlus Note.)
4. Information from other sources such as employers, creditors, insurers, or other third parties. (This applies only to rostered church workers who have applied for or have a residential or consumer loan with LCEF.)
5. Other general information we obtain about you, such as demographic information.

DISCLOSURE OF CONSUMER INFORMATION

Although we do not share Consumer Information with outside marketers, we do share information in certain circumstances as outlined below. We do this to provide you with our products and services with greater convenience and more choices and also as permitted by law. However, we do limit who receives Consumer Information and what type of information is shared.

Sharing Information With Companies That Work For Us

We may disclose the Consumer Information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. We also may disclose Consumer Information to third-party service providers as necessary to process, service, and provide access to your investment and loan accounts with LCEF in a manner that promotes a good customer experience.

The companies that work on our behalf are contractually obligated to LCEF to keep the Consumer Information we provide to them confidential and to use the Consumer Information only to provide the services we've asked them to perform for you and us.

Disclosing Information In Other Situations

We may also disclose Consumer Information to credit bureaus and similar organizations, and otherwise when permitted by law. For example, this may include:

- A disclosure in connection with a subpoena or similar legal process.
- A fraud investigation.
- Recording of deeds of trust and mortgages in public records.
- An audit or examination.

MAKING SURE INFORMATION IS ACCURATE

Keeping your account information accurate and up-to-date is very important. We provide you with access to your investment or loan account information through various means such as account statements and online through *MyAccount* and *Simply Statements*.

If you have questions or feel that we have not handled information about you properly, please contact us through our Information Center.

KEEPING UP-TO-DATE WITH OUR PRIVACY STATEMENT

LCEF will provide notice of our privacy statement annually, as long as you maintain an ongoing relationship with us. This policy may change from time to time, but you can always review our current policy at lcef.org or contact us for a copy at 800-843-5233.

LCEF INVESTMENT APPLICATION—RULES AND REGULATIONS

Section A—Checkwriting Agreement

UMB Bank, n.a. complies with Section 326 of the USA Patriot Act, which requires it to verify certain information about persons who obtain Checkwriting services for persons who enter custodial relationships with the Bank.

Each person applying for and signing as an owner, custodian or authorized signatory of an LCEF StewardAccount, Family Emergency StewardAccount or Y.I. StewardAccount (collectively, “StewardAccounts”) on an LCEF Investment Application or as an owner of an LCEF FlexPlus Certificate on an LCEF Health Savings Account Application (“an Applicant”) certifies that his or her signature thereon represents such Applicant’s legal signature and guarantees the genuineness of all other Applicant’s signatures.

Each Applicant authorizes LCEF and UMB Bank, n.a. or its bank affiliates (collectively, the “Bank”) and any of their successors to recognize such signatures in the payment of checks and other instruments (“Checks”) as they appear on the LCEF Investment Application or on the LCEF Health Savings Account Application.

Each Applicant plus any person designated by the Applicant (“Authorized User”) authorizes the redemption of funds through checkwriting. Each Applicant and Authorized User further agrees to be bound to the terms and conditions for checkwriting (the “Terms”) contained herein, the checkwriting limits referenced in the brochure accompanying the account certification letter, the charges set forth in LCEF’s current Offering Circular for the StewardAccounts certificates or for each LCEF FlexPlus Certificate, and by any other agreement governing the StewardAccounts or the FlexPlus Certificate as may be amended and in effect from time to time. Each Applicant and Authorized User agrees to be bound by amendments to the Terms, checkwriting limits, charges set forth in LCEF’s Offering Circular, and any other agreement governing the StewardAccounts or the FlexPlus Certificate made by the Bank or LCEF when notices of such changes are received. Each Applicant and Authorized User understands that LCEF’s approval of the StewardAccounts Checkwriting Application or the FlexPlus Certificate is subject to verification and investigation and that neither the StewardAccounts or the FlexPlus Certificate is an FDIC-insured bank deposit account.

Each Applicant hereby appoints the Bank as Applicant’s agent, and as agent, is authorized and directed upon presentment of StewardAccounts or FlexPlus Certificate Checks to the Bank to transmit such Checks to LCEF as requests to redeem amounts invested in the StewardAccounts or the FlexPlus Certificate. The Applicant agrees that the Bank may honor electronic payments to or from the StewardAccounts or the FlexPlus Certificate as authorized by the Applicant and Authorized User, when such payments are processed in accordance with the law and the applicable payment system rules. Applicant and Authorized User agrees that additional amounts added to the StewardAccount or the FlexPlus Certificate by Check may require seven (7) days’ written notice of an intended redemption and may require that invested funds not be redeemed for up to seven (7) days. Each Applicant and Authorized User authorizes the Bank to effect redemptions to defray the Bank’s charges relating to this Checkwriting Agreement. The Applicant and Authorized User agrees that payments made in accordance with this Agreement are governed by the laws, including the Uniform Commercial Code as enacted in the state of Missouri as amended from time to time. The Applicant and Authorized User consent to the jurisdiction of the state or federal courts in Missouri over any dispute or claim arising out of the provision of checkwriting or other payment services under this Agreement.

The Applicant agrees to examine the monthly statement for the StewardAccounts or the FlexPlus Certificate promptly. Applicant agrees to report any claim that a Check or other payment made from the StewardAccounts or the FlexPlus Certificate was forged, altered, or otherwise not authorized within thirty (30) days of receipt of the statement first containing a reference to such activity. Applicant agrees that failure to notify LCEF or the Bank within that time will preclude any claim against LCEF and the Bank by reason of any unauthorized or missing signature, alteration, or error of any kind. In the event LCEF or the Bank is deemed liable for any unauthorized payment or any failure to honor a stop payment order that has been given, such liability shall not exceed the face amount of the Check or other payment improperly made. The Bank has the right not to honor Checks presented to it; the Bank and LCEF have the right to change, modify, or terminate the Checkwriting Agreement at any time; and the Bank shall be liable only for its own negligence.

Section B—Visa® Debit Card Agreement

UMB Bank, n.a. complies with Section 326 of the USA Patriot Act, which requires it to verify certain information about the Debit Card applicants while processing their information.

Each person requesting the Visa debit card (“Card”) on an LCEF Investment Application or on an LCEF Health Savings Account Application (an “Applicant”) hereby applies to UMB Bank, n.a. (the “Bank”) for a Card as set forth below:

Each Applicant understands that the application for a Card is subject to approval by the Bank. By submitting this request for a Card, each Applicant authorizes the Bank to obtain a credit report on the Applicant in connection with this Application, and from time to time after the Applicant receives a Card to verify that the Applicant continues to qualify for the Card. The Bank may inquire as to the credit, investments, and employment history of each Applicant.

If this request is approved by the Bank, each Applicant plus any person designated by the Applicant will be issued a Card. Each Applicant understands that the Card(s) will be mailed to the Applicant accompanied by an agreement (the “Cardholder Agreement”) setting forth the terms and conditions governing the Card. The Applicant understands and agrees that the Card and use of the Card will be governed by the Cardholder Agreement, as amended by the Bank from time to time.

LCEF Investment Application—Rules and Regulations

Section B—Visa® Debit Card Agreement (Cont.)

Each time an Applicant uses a Card, he/she authorizes LCEF to order redemptions to be made so that transactions are settled and the Bank receives the proceeds of such redemptions. The Applicant understands that the Card is made available solely for the purpose of enabling the Applicant to redeem funds and does not involve any extension of credit. This authorization may be terminated by either the Bank or the Applicant by written notification. The Applicant understands that the Applicant will be responsible for the amount of any transactions authorized by the Applicant, whether or not the transactions have been debited from an account as of the date of such termination.

The Applicant understands and agrees that the Bank may provide information about the Card and the Applicant's use of a Card to LCEF or other service providers in order to process Card transactions or otherwise provide Card services.

Section C—Automated Clearinghouse

An Applicant may from time to time be a party to an Automated Clearinghouse (ACH) entry, which may be credited or charged to an LCEF investment. The Applicant agrees to be bound by the National Automated Clearinghouse Association (NACHA) operating rules then in effect for ACH transactions authorized. The Applicant agrees that payment of ACH entries will be processed on the basis of the identifying number for the ACH, even if the identifying number identifies a financial institution, person, or entity different from the named party in the transaction. The Applicant has fifteen days from the time LCEF sends or makes the statement available to notify LCEF of unauthorized ACH debits to the Applicant's account.

Section D—Telephone Transfers

A telephone transfer of funds from one LCEF investment account to another, if otherwise arranged for or permitted, may be made by the same persons and under the same conditions generally applicable to redemptions made in writing.

Section E—Internet Transfers

An Internet transfer of funds from one LCEF investment account to another, if otherwise arranged for or permitted, may be made by the same persons and under the same conditions generally applicable to redemptions made in writing.

Section F—Individual Ownership

The investment account owned by an individual person is owned only by the person shown on the Investment Application. No other person has any present rights in the account. Upon the death of the person, the funds in the account become part of that person's estate or are distributed to the "payable on death" payee designated by the individual person on the form received by LCEF.

Section G—Joint Ownership

Except for an investment account issued to a Tax Deferred Plan, the investment account is owned by the person and the one or more additional individuals identified as joint-account owners on the Investment Application (together referred to as "Owner"). All joint Owners will be deemed to be joint tenants with rights of survivorship. As such, upon the death of one of the joint-account Owners, that person's ownership interest in the account will immediately pass to the other joint-account Owner(s).

Section H—Payable on Death

Any person or entity identified as a "Payable on Death (POD) Payee" will acquire vested ownership rights in the investment account only after the death of all Owners and then only if the POD payee is alive. When LCEF is provided with proof of the death of the last surviving Owner, LCEF will close the account and distribute to all surviving POD payees the amount previously designated by the Owner(s).

Section I—Custodial Account for Minors

If an Applicant has established a Custodial Account for a Minor, the Applicant understands that all investments into this account are complete and irrevocable transfers and/or gifts to the minor. Further, the account is established under the Uniform Transfers to Minors Act or the Uniform Gifts to Minors Act of the state designated as the minor's residence on the Investment Application, or if not designated, then of the state indicated in the mailing address on the Investment Application. As custodian, the Applicant's rights and duties are governed by this Act. Redemptions are paid only upon the signature or authorization of the custodian, an Authorized User or as required or permitted by law and the funds must be used for the benefit of the minor. LCEF, however, has no duty or agreement whatsoever to monitor or ensure that the acts of the custodian (or successor custodian) are for the minor's benefit.



RSO SPOTLIGHT

A LIFE TRANSFORMED

Amanda Freed

"I wouldn't be here today if it wasn't for them." Raised in a family of addicts, Amanda Freed found herself trapped in a lifestyle that eventually caught up with her, leading to a 10-year prison sentence that began in March 2012.

Freed's life was transformed, however, when she became involved with Lutheran Metropolitan Ministry (LMM), a Recognized Service Organization (RSO) of The Lutheran Church—Missouri Synod (LCMS). The ministry is a nonprofit social services and advocacy organization headquartered in Cleveland, Ohio.

For Freed, this meant participating in LMM's Chopping for Change (C4C) program that caters to women inmates who are nearing release back into society. Through C4C, the women learn food preparation and culinary arts skills that will enable them to re-enter the workforce in a meaningful way.

But that's not all that LMM does to reach out to those in need in the greater Cleveland area. They also focus their efforts on serving people who are homeless; youth who are at-risk; older adults who are vulnerable; people impacted by the criminal justice system; and individuals with behavioral health needs.

Significant efforts like these call for a supportive facility. However, LMM's programs were spread out in different places around the city because they couldn't

accommodate all under one roof, even as they grew. Since LMM had a long-standing relationship with Lutheran Church Extension Fund (LCEF) spanning decades, the organization worked closely with LCEF to help provide the funds needed to expand space available for services.

"LCEF loaned funds to LMM in good faith because we believed in the program so much," said Dave Bowers, former LCEF vice president of the LCMS Ohio District. For Bowers, the partnership between LCEF and LMM was more than a loan. "We were united in the mission to help the organization expand in the best possible way so that it could continue the primary mission of reaching out to those in need," he said.

The loan funded the purchase and renovation of LMM's Richard Sering Center. "Thanks to the LCEF loan, LMM's headquarters was able to move into a 40,000 square foot renovated, handicap accessible, green building at 4515 Superior Avenue," explained Andrew D. Genszler, president and CEO of LMM.

Over the last five decades, LMM has evolved along with changing needs of the community by developing effective and timely advocacy initiatives and social services programming. Their 50th anniversary in 2019 is an opportunity to celebrate a legacy while looking ahead to the next half-century of innovation, advocacy and system change. ■

In the northwest corner of the United States, the city of Blaine, Wash., is known as one of the top 10 places to retire. It's a scenic spot, right on the water, boasting a small-town feel with just under 5,000 residents. It's no wonder that many people want to live in Blaine. Sadly, not everyone has the resources to make that happen. The greater problem is that, up and down the coast, many folks don't live anywhere at all.

"There's an active homeless population all along the west coast," explained the Rev. Aaron Zuch, pastor of Grace Lutheran Church in Blaine. "We're along I-5, and while we don't see the same high numbers of homeless people in Blaine as they do in Bellingham, all of the housing and social services are located in Bellingham. Here in Blaine, we only have a food bank, so people are forced to stay in Bellingham."

"This is why we at Grace wanted to step in and help these families," said Zuch. "Our main target was trying to find housing specifically for Blaine families with kids in the Blaine schools. We want to help them get back on their feet and save up for rent. Our goal was to house a family like that."

To make this goal a reality, Grace opened up a transitional house for one or two families per year. The home, called Grace House, would be rented for a six-to-12-month period to a family in the Blaine School

District. The residents would be responsible for utilities and a nominal rent fee based on a sliding scale. Grace Lutheran Church just needed to find the right home – which they did – and finance it. The four-bedroom, two-bath home is the perfect size for a family.

"God's hand seemed to be at work through the whole process," said Zuch. "We asked for donations and pledges, enough to cover monthly mortgage payments so that we would be organized and ready when we contacted Lutheran Church Extension Fund (LCEF) for the loan."

"A different lender would have asked, 'How do we know these pledges are going to come in month after month?'" added Zuch. "LCEF was able to offer us a loan based on our pledges, and we don't think that others would have been open to lending to us in that type of situation. They really worked very hard to make the process go quickly for us – it was only 45 days from the time we first contacted them to get the loan closed."

The home is just a couple of blocks away from the church, currently serving the needs of a family with two children. Grace provides and maintains the home and insurance while the congregation supports the family as needed, especially when it comes to bringing Christ to them in both Word and deed. ■



Grace House Transitional Housing for Families



Irma Fuerstenau

AN INVESTOR LIKE YOU: IRMA FUERSTENAU

1930's Dust Bowl in South Dakota

"It's not hard to find opportunities to serve," said Irma Fuerstenau, member of Trinity Lutheran Church in Bend, Ore. "You truly don't have to look far." Fuerstenau would know. She is 90 years old, a lifelong Lutheran and has served her church and family in dozens of ways over the years. Having grown up in South Dakota during the Dust Bowl, she understands what it means to have to be creative to get by in life, and to bring Christ to others along the way.

"I was born at the beginning of the dust storm years, on a farm," recalled Fuerstenau. "It was hard times for the farmers, but they were pioneers. It was hard – we learned to work, learned to make do with what we had. Learned to do and re-do if we had to. Of course, we couldn't just run to the store when something broke or we needed something. There were no neighbors within a mile, so I played together with my brother and sister with whatever we could find to play with."

Fuerstenau's late husband, Maynard, understood. He grew up in North Dakota during those years, and his family left for Oregon in 1936 to escape the dust storms. Since the time the couple married in 1952, they served their church and especially loved supporting mission work and education.

"Maynard was always involved with the Walther League and Lutheran Laymen's League," explained Fuerstenau. "He loved being in choir, and was a great Sunday school teacher, and he also led home Bible studies and studies at church. My involvement was in

teaching Sunday school and VBS, but I was especially active with the Lutheran Women's Missionary League (LWML). I also served as LWML district president at one time."

Together, Fuerstenau and her husband raised three children, and they served as examples to them by supporting their church with both time and treasure over the years. They also chose to invest with Lutheran Church Extension Fund (LCEF) right away, from the time they were married, so that they could bolster the mission work of the church through their savings and investments.

"We've always felt strongly that we wanted to use the resources that God has given us to support the church," mentioned Fuerstenau. With their investments in place, Fuerstenau was free to spend her time caring for her family, church and community, creatively keeping a home and remembering all that she learned as a child in South Dakota.

Although Fuerstenau may not be able to serve as actively as she used to, her joy and zeal for service is extended through her and Maynard's lifetime support of LCEF, and thereby the mission of the church. A grandmother now to five grandchildren, she embraces her role of being an example to them, by the grace of God. And that's enough.

"God's love never ends, and likewise there's no end to how we can serve others," she said. ■

WHEN YOUR INVESTMENTS DO MORE

When you invest with LCEF, you not only earn a competitive interest rate—your investment also goes to work for the Church.

Your investments make funds available to equip LCMS pastors, churches, schools and organizations to fulfill their call of sharing the Gospel of Jesus Christ.

Thank you for empowering ministries!



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PASTORS



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