



LCMS, INC. ANNUAL REPORT 2019

OUR MISSION

In grateful response to God's grace and empowered by the Holy Spirit through Word and Sacraments, the mission of The Lutheran Church—Missouri Synod is vigorously to make known the love of Christ by word and deed within our churches, communities and the world (Adopted by the Synod in convention, 1995), making disciples — for life!

Guided by the mission statement of the LCMS, the people serving at the LCMS International Center labor to synchronize the strategic internal ministry capabilities and coordinate with the districts, agencies, auxiliaries, educational institutions, Recognized Service Organizations and formal international church partners of the Synod to enhance efforts and activities that make known the love of Christ throughout the world, as together our Synod makes disciples — for life.

FULFILLING MISSION THROUGH SEVEN FOCUSED STRATEGIES

Mission Priorities of the LCMS — some samples of progress

1. PLANT, SUSTAIN AND REVITALIZE LUTHERAN CHURCHES

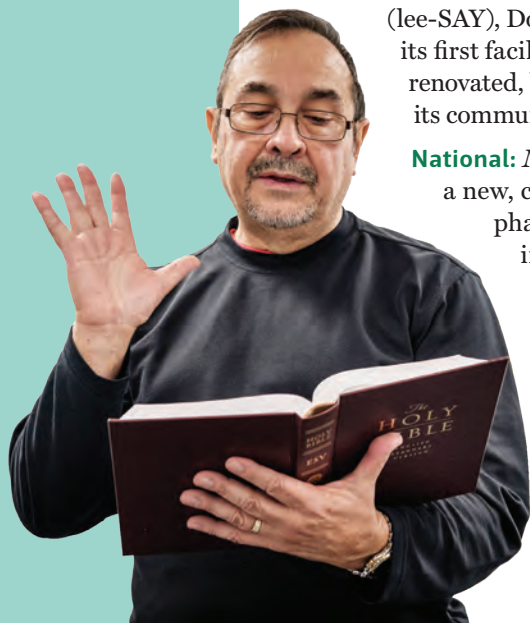
International: The church plant in Licey (lee-SAY), Dominican Republic, outgrew its first facility and has relocated to a renovated, larger space to better serve its community and members.

National: *Making Disciples for Life* is a new, convention-mandated emphasis with a goal of providing easy access to mission and ministry resources designed to support and enhance congregation and district ministry in the United States.

2. SUPPORT AND EXPAND THEOLOGICAL EDUCATION

Contributors generously and joyfully supplied more than \$3.7 million in financial resources to support our two LCMS seminaries through the LCMS Joint Seminary Fund, the Global Seminary Initiative, Synod subsidies and specific grants (see *Reporter* insert, March 2019).

International mission influences theological education and pastoral formation through relationships with seven international partner church seminaries in Africa, eastern Europe, Russia and Asia; and the Latin America region operates the third LCMS-owned seminary — Concordia the Reformer, in Palmar Arriba, Dominican Republic.



The LCMS launched a sustained multi-year Synodwide initiative to increase enrollment of students preparing for church-work vocations at the Synod's seminaries (St. Louis and Fort Wayne) and the Concordia University System institutions. This initiative focuses on church worker formation beginning at infant Baptism and encompassing spiritual, character, confessional, physical, emotional, Synod and intellectual development.

Ongoing development of *Preach the Word*, designed to help pastors work together to improve their preaching through video modules with accompanying resources and by interacting with seminary professors and fellow preachers.

3. PERFORM HUMAN CARE (MERCY) IN CLOSE PROXIMITY TO WORD AND SACRAMENT MINISTRIES

Grants and other services fueled LCMS humanitarian relief work in the wake of several disasters, supporting LCMS congregations and international church partners as they reached out into their communities with God's mercy — and His Word.

The LCMS is training more than 100 indigenous women to serve as deaconesses in foreign lands.

4. COLLABORATE WITH THE SYNOD'S MEMBERS AND PARTNERS TO ENHANCE MISSION EFFECTIVENESS

Collaborated with Lutheran Church Extension Fund and LCMS agencies to create The Rosa J. Young Scholarship Endowment, a new source of funding for African-American students pursuing church-work careers.

Collaborated with Ambassadors of Reconciliation to bring training to Rwandan pastors and laypeople impacted by the 1994 genocide (see May 9, 2019, *Reporter*).

Relocated the Asia regional headquarters to better, less expensive facilities offered by the Lutheran church in Taiwan (see blogs.lcms.org/2018/whether-hong-kong-taiwan-synods-asia-mission-doesnt-change).

Completed a major multi-year task force effort and accompanying adopted convention resolutions (addressing necessary bylaw revisions and key implementation issues) to revise the Synod's Recognized Service Organization (RSO) program, with future expectation that local congregation and district mission and ministry will be substantially enhanced through strengthened partnerships with RSOs.

5. PROMOTE AND NURTURE THE SPIRITUAL, EMOTIONAL AND PHYSICAL WELL-BEING OF PASTORS AND PROFESSIONAL CHURCH WORKERS

Produced a special *Reporter Supplement* — "What we heard: Church workers speak on wellness" (May 31, 2019).

Unveiled online devotions for church workers through LCMS Worker Wellness (*Reporter Online*, April 10, 2019)

Launched a new web resource (lcms.org/wellness) to assist the church and its workers, following discussions with workers via online wellness focus groups (Oct. 2, 2018).

Ongoing partnerships with Grace Place Ministries, DOXOLOGY and Shepherd's Canyon to care for pastors and other workers.

Ongoing care and support of pastors and their wives transitioning into the first three years of his call through the Post-Seminary Applied Learning and Support (PALS) program, with ongoing care and support and relevant curriculum.

6. ENHANCE EARLY CHILDHOOD, ELEMENTARY AND SECONDARY EDUCATION AND YOUTH MINISTRY

Helped college students gain tools for evangelism at LCMS U "Witness" conference (Jan. 30, 2019).

Hosted the 2018 Corpus Christi (Body of Christ) youth conference in Prague under the theme "Future and Hope."

Continued a sustained effort to improve the Lutheran identity and ethos of the Synod's three international schools in Asia (Hong Kong, Shanghai and Hanoi) and integrate their work into the strategic and operational plans of the LCMS Office of International Mission in the Asia region.

7. STRENGTHEN AND SUPPORT THE LUTHERAN FAMILY IN LIVING OUT GOD'S DESIGN

Produced a study on young adult retention (Jan. 2, 2019).

Produced a new *Every One His Witness* module focused on reaching adult children who have left the church (Sept. 5, 2018).

Sent Lutheran Young Adult Corps teams to Boston and inner-city St. Louis.



Budget & Spheres of Mission

Fiscal Year 2019 — audited

Chief Mission Officer	Plan (Budget)	Expenditures**	Available Net Assets Released
International Mission, incl. Projects and MAF	12,222,828	8,616,196	6,328,212
International Missionaries & Workers	13,728,239	11,687,274	11,687,097
National Mission, Programs and Projects	5,938,284	4,711,362	4,470,003
National (domestic) Missionaries	538,109	392,987	358,800
Disaster Response; Disaster Relief	3,336,655	3,603,634	3,603,634
Pastoral Education	812,287	845,855	507,581
Seminary Subsidies & Joint Sem. Funds	1,916,227	2,541,057	1,939,830
Global Seminary Initiative	650,000	298,519	298,519
Communications	3,909,026	3,330,164	432,148
Mission Advancement	6,660,090	6,206,794	3,677,743
Office of the President, BOD, COP			
Constitution—Mandated	107,856	22,226	—
Officers Work	3,966,285	2,991,469	126,869
Boards & Councils	344,848	323,565	12,700
Commissions (CCM, CTCR, etc.)	1,741,634	1,385,568	74,354
University Education†	2,277,270	13,391,398	—
Church Relations	1,112,393	1,138,433	428,974
KFUO	1,155,565	1,003,470	902,730
Concordia Historical Institute	420,000	420,000	1,609
Housing Support Corp Subsidy	125,000	1,169,624	125,000
Chief Financial Officer, Chief Adm. Officer			
Common Services	8,402,625	9,129,950	4,780,391
Release of Unrestricted Net Assets			33,453,351
	<u>Plan (Budget)</u>	<u>Expenditures</u>	<u>Net Assets Released</u>
Totals	69,365,221	73,209,545	73,209,545

RELEASE OF NET ASSETS WITH DONOR-IMPOSED RESTRICTIONS

† Services and resources indirectly supporting Synod's mission efforts, not mandated by convention or the Constitution/Bylaws. These include accounting, human resources, information technology, internal audit, building services, legal counsel, print and copy services, travel and meetings, etc.

**Includes congregation worship offerings, undesignated gifts/grants/bequest, certain investment income, fees and net sale proceeds.

‡ University education included \$11,478,746 in principal and interest payments on the historic CUS debt, which was fully retired by June 30.

Our Synod at a Glance

Baptized congregants	1,911,187
Congregations	5,991
Pastors	9,668
Commissioned workers	12,057
Districts	35
Early childhood centers	1,774

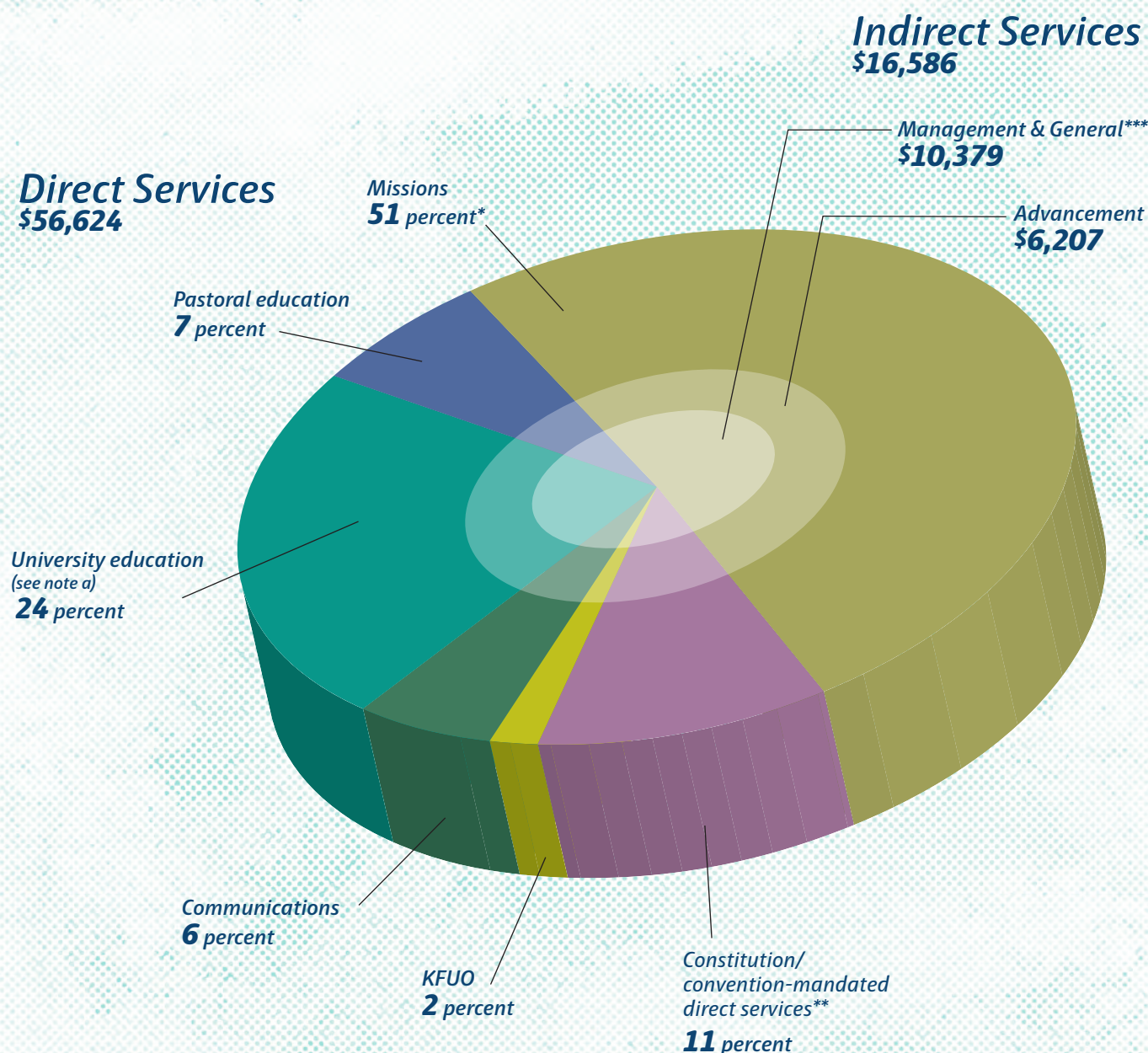
Elementary schools	785
High schools	96
Colleges/Universities	8
Domestic seminaries	2
International seminaries	1
International schools	3

RSOs	326
Career missionaries	102
GEO missionaries	19
Formal church partners	37
Emerging church relationships	15
Military chaplains	60



Spending: How Dollars Were Put to Work

(\$s in thousands) — audited



Total \$73,210

*Due to rounding, direct services percentages do not add up exactly to 100.

**An independent review by the Better Business Bureau categorized expenditures required by the Synod Constitution and Bylaws, or by convention-mandate, as direct services (program).

***Human resources, legal services, information technology, accounting, audit, risk management, operational services, board of directors, CAO, CFO.

IMPORTANT NOTES:

a. In 2019, the LCMS made \$11.48 million in principle and interest payments against the historic Concordia University System debt, sufficient to fully retire that debt by June 30. The payment creates a one-year distortion in total expenditures, and an abnormally high percentage of program spending under the "University education" category.

b. In 2019, the Financial Accounting Standards Board implemented new standards under generally accepted accounting principles (GAAP) requiring nonprofits to (re)classify expenses reported under a "general and administrative" category. This change in accounting practices further clarifies which types of expenditures are program, management or fundraising. The change in GAAP for FY2019 and future years means that the percentages reported here do not and will not precisely match how expenses were classified and reported in prior years, making year-to-year comparison more difficult. The Better Business Bureau, Guidestar and Charity Navigator endorse a standard that indirect services costs should not exceed 33 to 35 percent of a nonprofit's total expenditures, with program expenditures being not less than 65 to 68 percent of the total.



Jerald C. (Jerry) Wulf,

chief financial officer (CFO) of The Lutheran Church—Missouri Synod (LCMS) since 2011, retired January 31, 2020.

In his nine years as CFO, Wulf helped to define fiscal procedures and bring them into better alignment with generally accepted accounting principles and changing regulations. He improved the church's accounting systems, assisted LCMS Mission Advancement in its work, and supported employee-centered operations to engage and motivate staff.

Previously, Wulf served with the South Dakota Department of Legislative Audit and as treasurer for the LCMS South Dakota District. He has held numerous church-related positions, including congregational president, Lutheran Laymen's League district governor, Bible study leader and LCMS convention delegate. He's also been a member of several congregational boards.

The Rev. Dr. Michael L. Kumm, chairman of the LCMS Board of Directors, said: "It has been a great pleasure to have Jerry as part of the leadership team at the International Center. There is no one more dedicated to the work of the church than Jerry Wulf.

"Jerry's love for the church and the people who serve her," Kumm continued, "has been clearly evident in his day-to-day attitude. I am confident that his retirement in no way means he's done serving the church. We wish Jerry every blessing and Godspeed in his retirement."

Regarding his tenure as CFO, Wulf said, "I am truly thankful for having had the privilege to serve ... I pray that my service has been a blessing to those I work with and whose work I direct. ... I can't express enough the deep appreciation I have developed for all those who serve at the International Center. ... I will truly miss those ... whose lives I have touched and who have touched mine."

Wulf and his wife, Corinne, plan to return to Pierre, S.D., to live near family and friends.

Assets and Activities

Statement of Financial Position (Condensed) — audited
(*\$s in thousands*)

As of June 30	2019
Assets	
Cash & Receivables	57,596
Property, Investments, Other	<u>64,216</u>
Total Assets	121,812
Liabilities	
Payable (Due) to Others	8,845
Deferred Revenue	14,177
Other	<u>723</u>
Total Liabilities	23,745
Net Assets (Assets Minus Liabilities)	
Without restrictions on use	8,979
Carrying restrictions on use, including property	<u>89,088</u>
Total Net Assets	98,067

Statement of Activities (Condensed)
(*\$s in thousands*)

Net Asset Releases	2019
District Pledges (Worship Offerings)	13,262
Charitable Contributions Released	51,578
Investment Returns/Sale of Fixed Assets	25,879
Sales and Services	<u>4,052</u>
Total Net Asset Releases (Revenues)	94,771

Expenditures (Expenses)

Direct Services (Program)	
Missions — National & International	29,012
Pastoral Ed/Seminaries, CUS ^a	17,077
Communications, KFUO	4,333
Ecclesiastical Programs ¹	<u>6,202</u>
Total Direct Services (Program)	56,624
Indirect Services (Program Support)	
Management & General ²	10,379
Contributor Support & Fundraising ³	<u>6,207</u>
Total Indirect Services (Program Support)	16,586
Total Expenditures (Expenses)	73,210

Change in Net Assets (Bottom Line)

Net Assets — Beginning of Year	76,506
Net Assets - End of Year (June 30)	98,067

^a In 2019, the LCMS made \$11.48 million in principal and interest payments against the historic CUS debt, sufficient to fully retire that debt by June 30. The payment creates a one-year distortion in total expenditures, and an abnormally high percentage of program spending under this category.

¹ Constitution-manadated boards, officers, commissions, councils, legal, CHI (official archives)

² Human resources, information technology, accounting, audit, risk management, operational services, Board of Directors, Chief Administrative Officer, Chief Financial Officer

³ Mission Advancement - appeals, special campaigns, contributor services, regulatory compliance

Full audited financial statements, with auditor notes and conclusions are publicly accessible at lcms.org/giving/transparency or lcms.org/bod

LCMS Board of Directors & Executive Officers

The composition of the Board of Directors is defined in Bylaw 3.3.4.1 of the Synod's Constitution.

The Rev. Dr. Michael Kumm
Chairman
Dakota Dunes, S.D.

Mr. Ed Everts
Vice-Chairman
Daytona Beach Shores, Fla.

Mr. Keith Frndak
Audit Committee Chair/
Board Treasurer
Saxonburg, Penn.

Mr. Larry Harrington
Casper, Wyo.

The Rev. Dr. Matthew Harrison
St. Louis, Mo.

Mr. Andrew Grams
Franklin, Tenn.

The Rev. Peter Lange (Non-voting)
St. Louis, Mo.

The Rev. Josemon Hoem
Murphysboro, Ill.

Dr. Jan Lohmeyer
Waveland, Miss.

Mr. Christian Preus
Minneapolis, Minn.

Dr. Jesse Yow
Livermore, Calif.

The Rev. Dr. John Sias
St. Louis, Mo.

(Position Vacant)
To be filled by BOD appointment

OFFICERS (ELECTED IN CONVENTION)

The Rev. Dr. Matthew C. Harrison
LCMS President

The Rev. Peter K. Lange
LCMS First Vice President

The Rev. Dr. John C. Wohlrabe, Jr.
LCMS Second Vice President
Great Lakes Region

The Rev. Dr. Scott R. Murray
LCMS Third Vice President
West-Southwest Region

The Rev. Nabil S. Nour
LCMS Fourth Vice President
Great Plains Region

The Rev. Christopher Esget
LCMS Fifth Vice President
East-Southeast Region

The Rev. Benjamin T. Ball
LCMS Sixth Vice President
Central Region

OFFICERS (APPOINTED)

The Rev. Kevin D. Robson
Chief Mission Officer
Appointed by LCMS President

Mr. Frank Simek
LCMS Chief Administrative Officer
Appointed by the Board of Directors

Mr. Jerald C. Wulf
LCMS Chief Financial Officer
Appointed by the Board of Directors

From the Independent Auditor's Report/ Consolidated Financial Statements — ENDING JUNE 30, 2019

We have audited the ... consolidated financial statements of The Lutheran Church—Missouri Synod and Subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial

position of The Lutheran Church—Missouri Synod and Subsidiaries as of June 30, 2019, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brown Smith Wallace, LLP
St. Louis, Missouri
December 17, 2019

(To access the full copy of the audited consolidated financial statements for fiscal year 2019 and years prior, and the auditor's full certification statement, go to lcms.org/bod.)

Our Giving

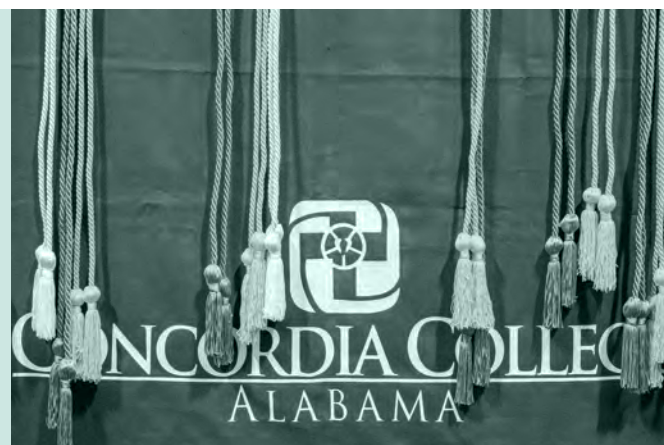
Fiscal Year 2019 (adjusted and audited)				Fiscal Year 2018 (adjusted and audited)			
DONORS	GIFTS	AMOUNT (\$)	DESIGNATION (CONTRIBUTOR INTENT)	DONORS	GIFTS	AMOUNT (\$)	
SYNOD SUPPORT							
35	439	13,799,617	Synod Unrestricted (regular worship offerings via districts)	35	434	13,906,801	
4,758	7,139	2,388,328	Synod Unrestricted (contributions and bequests direct to Synod)	4,634	6,573	4,724,165	
12,675	25,234	6,810,475	Shared Funds — Global Witness & Mercy, National Offering	12,358	24,180	5,772,902	
14,869	56,233	24,625,491	International Only (work/missionaries) — Witness & Mercy	15,997	57,003	20,738,566	
2,642	4,634	1,938,898	National Only (work/missionaries only) — Witness & Mercy	1,693	3,320	1,354,807	
11,321	13,246	4,000,049	Shared Funds — Disaster Response Work	30,414	26,576	10,237,458	
5,591	3,474	2,758,590	Pastoral Ed, incl. LCMS Joint Seminary Fund, GSI (general)	3,055	5,059	2,535,695	
543	580	246,108	Global Seminary Initiative — Grants to LCMS Seminaries	70	79	315,156	
1,426	2,679	1,201,454	Worldwide KFUE	1,421	2,558	929,725	
218	3,773	450,624	Synod — Other Restricted Uses	257	3,500	564,513	
54,078	117,431	58,219,634		69,934	129,282	61,079,788	
SYNOD RESTRICTED CAMPAIGNS & SPECIAL INITIATIVES							
23	73	5,645	Lutheran Malaria Initiative (concluded; pledge fulfillment only)	39	100	7,871	
1,971	2,419	570,444	Lutheran Center for Religious Liberty (active)	2,329	2,667	1,000,666	
384	476	47,763	Wittenberg Project Old Latin School (building, outreach and education)	147	232	67,996	
—	—	—	Reformation 500th Anniversary Celebration	5	5	572	
2,378	2,968	623,852		2,520	3,004	1,077,105	
OTHER ENTITIES/PROGRAMS							
150	311	270,918	Concordia University System	344	579	264,027	
399	786	225,383	Lutheran Housing Support	499	886	206,462	
549	1,097	496,301		843	1,465	470,489	

Amounts are gross contributions, not adjusted to reflect fundraising, contributor care or regulatory compliance costs.

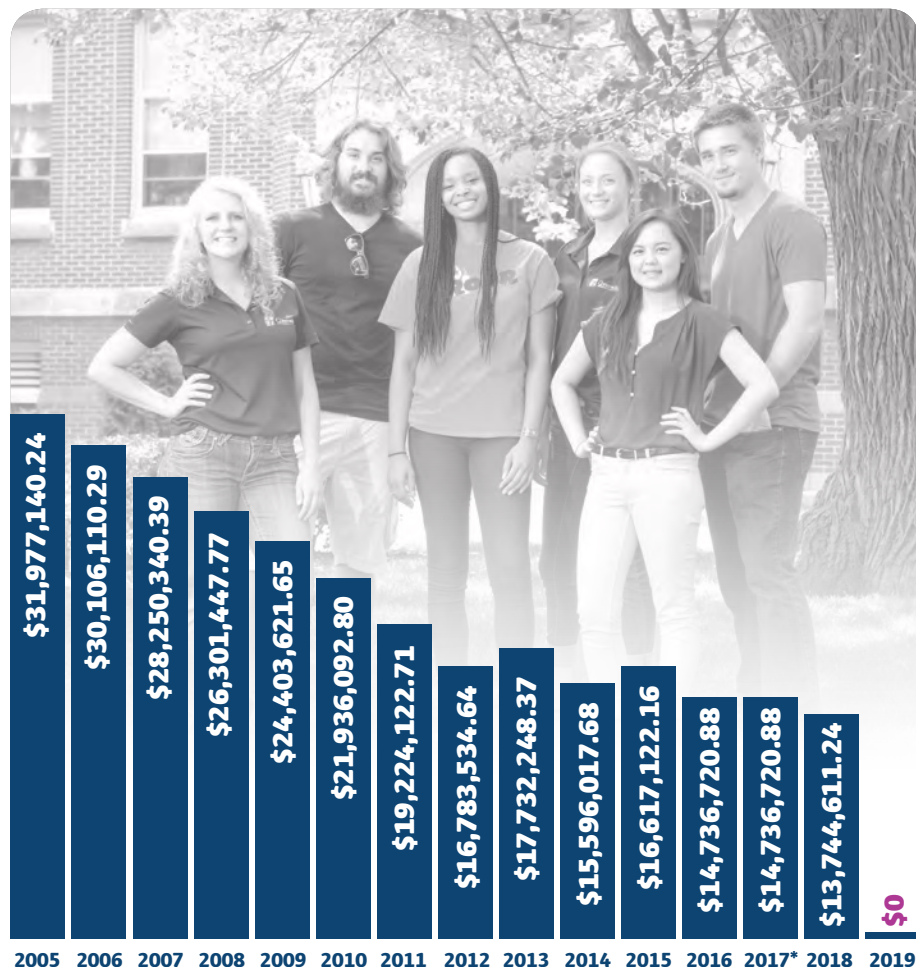
To continue supporting the work of the LCMS with your contributions, please contact Mission Advancement or visit lcms.org/givenow.

CONCORDIA COLLEGE, SELMA, CLOSES

By action of its Board of Regents, and after endorsement by the Concordia University System Board (following Synod's Bylaws), the Synod's college in Selma, Ala., ceased operations in fiscal year 2019. This painful loss of the Synod's only historic black college is a reflection of the economic and demographic pressures impacting many private and church-owned institutions of higher education around the country, pressures which could see as many as one-third of all private colleges closing or consolidating in the coming decade. A court-ordered dissolution of Concordia, Selma's assets resulted in a new endowment fund, The Rosa J. Young Scholarship Fund, to provide ongoing scholarship assistance to eligible African-American students in CUS programs leading to service as rostered LCMS church workers. (Note: LCMS, Inc. did not benefit economically from the closure or sale of Concordia, Selma.)



Historic Concordia University System Debt



The Synod's budget is impacted by \$1.4 million annually to provide funds to the Concordia University System Inc. to service the historic debt.

*No fiscal payments for one fiscal year.

SYNOD BOARD OF DIRECTORS RETIRES THE HISTORIC CUS DEBT

At the end of fiscal year 2019, the Synod's Board of Directors moved to retire the cumulative operating debts of the schools in the Concordia University System, called the "historic CUS debt." Operational and resource stewardship decisions of the LCMS leadership team over the course of the fiscal year presented an opportunity for the Board to retire the debt. Final action was completed in June 2019.



To all who contribute to the national work of the LCMS, who give of themselves freely even as they have freely received Christ's love and forgiveness, who by their selfless generosity fuel vital mission and ministry ...

THANK YOU.

+++ Soli Deo Gloria +++

Reader feedback regarding this annual report, including recommendations for improvement, is welcomed.

EMAIL mission.advancement@lcms.org

CALL 888-930-4438

WRITE

LCMS Mission Advancement
1333 S. Kirkwood Road
St. Louis, MO 63122-7295

Our special thanks to Thrivent Financial whose generous support again made possible this year's annual report.



This annual report document — along with supporting documents, financial statements, board minutes and other information — is available as a no-cost, downloadable electronic file (PDF) on the LCMS website at lcms.org/giving/transparency.

STATEMENT OF GIFT UTILIZATION

Contributions designated (restricted) for a specific purpose when accepted are used only to fund expenses related to that purpose. Occasionally, the LCMS may receive more in contributions for a particular purpose than can be wisely applied to it in the foreseeable future or the purpose may cease to be feasible. In these situations, the LCMS will make reasonable attempts to contact contributors to apply their contribution differently. If a contributor cannot be contacted, the LCMS will use the gift to meet a similar pressing need that most closely matches the contributor's original intent. (Ref. FASB Statement No. 116)

Consistent with Synod Board policy, not more than 12 percent of a charitable contribution may be applied to the costs of administering gifts (soliciting, receiving and properly recording donations) and communicating with contributors. The annual ceiling (percentage) is calculated by dividing advancement costs by the total charitable response of contributors (gifts, grants and bequests including worship offerings) over a rolling three-year period.

The phrase "costs of administering gifts" does not include expenditures related to the administrative structure of the LCMS as a corporation (boards, commissions, councils, elected officers, indebtedness and other expenses required [legal, auditing, insurance, etc.] either by law or regulatory bodies) which are to be funded entirely out of unrestricted worship offerings from member congregations.

Contributions received and accepted by the LCMS are deemed to be in agreement with this statement.

The LCMS, Inc. (which includes Mission Central in Mapleton, Iowa) is a Better Business/Wise Giving Alliance Accredited Charity and a Guidestar Platinum seal-holder. Our IRS tax-identification number as a not-for-profit corporation under Section 501(c)(3) of the IRS code is 43-0658188.

