

Vice Presidents' Reports

Report of the First Vice President Rev. Clint Poppe, Region B

The 2009 Convention will mark the end of my second term as area vice president and First Vice President of the District. I have counted it an honor to represent the six circuits of Region B (Beatrice, Deshler, Falls City, Lincoln, Seward, and York) and the entire District when called upon to do so. There have been many sacrifices made by the congregation I serve and my family, and I wish to thank them for this sacrifice of allowing me to serve the Church-at-large in this very special way.

The most enjoyable task for me continues to be the many ordinations and installations of pastors. There is great joy in seeing God bringing together pastor and people. There is great joy in hearing God's servant promise to serve, preach, teach, and live according to God's Word and the Lutheran Confessions. There is great joy in hearing the congregation receive this precious gift from the Lord and promise to support him, encourage him, and pray for him.

It is certainly not uncommon for strife to exist between pastor and people. Many factors can be involved, ranging from worship style and format to the number of times a particular shut-in member gets a home visit. (Pastoral decisions regarding cohabitating couples seem to be dangerous land mines these days.) These problems are often great opportunities for communication to increase and reconciliation to flourish between the under-shepherd and the flock entrusted to him. God loves reconciliation; that's why He sent Jesus! The basis for this reconciliation must always be God's Word and the full and free forgiveness won by Christ on Calvary. The Lord of the Church would want it no other way.

What is true for the local congregation in this regard is most certainly true also for our circuits, District, and Synod. No amount of structure or pious wishing can bring about true reconciliation. There is no life (Latin: *vita*) in forms or methods or models; only in the precious life-giving and life-changing Gospel. The prayer of the ancient hymn needs to be our prayer:

O come, Desire of nations, bind
In one the hearts of all mankind;
Bid Thou our sad divisions cease,
And be Thyself our King of Peace.
LSB 357 v. 7

Report of the Second Vice President Rev. Dr. Orville Walz, Region D

It has been a privilege to serve the pastors, commissioned workers, and lay people of the Nebraska District for the last three years. Region D consists of the Columbus Circuit (13 congregations), Fremont Circuit (13 congregations), Omaha North Circuit (10 congregations), Omaha South Circuit (9 congregations), and Omaha West Circuit (8 congregations).

One of my goals has been to "hold up the arms" of President Sommerfeld in his servant leader role in our beloved District. He asked me to represent him at: 1) several Lutheran Family Services of Nebraska board meetings; 2) an RSO review meeting at The Lutheran Home in Omaha; 3) the installations of pastors in Columbus, Omaha, Platte Center-Humphrey, and Louisville; and 4) worship services honoring fellow clergy celebrating anniversaries in the pastoral ministry.

In addition to attending 12 meetings of the District Board of Directors, I was also appointed to the Board's Finance Committee, the Audit Committee, and the Circuit Realignment Task Force.

Other activities included: 1) traveling with the five circuit counselors to visit the sites of Region D congregations, many times visiting with the pastors; 2) attending a District circuit counselors retreat; 3) filling pulpits on Sundays on numerous occasions when pastors were on vacation, mission trips, or confirmation class trips; 3) attending pastoral conferences; and 4) serving on the planning committee for the District All Professional Church Workers Conference held in 2007.

As the scriptural theme for this Convention reminds us, "*Be wise in the way you act toward outsiders; make the most of every opportunity.*" God is opening doors for us to share the Good News of Jesus in Region D through: 1) Hispanic ministry outreach; 2) development of the Walking Together Lutheran Ministry in south Omaha; 3) a new congregation in Columbus; 4) the new Sudanese congregation in Omaha; and 4) campus ministry for Omaha metro area campuses. We pray for the continued blessing of our God in these and other exciting ministries!

**Report of the Third Vice President
Rev. Richard Snow, Region C**

God is at work among His people, as we are blessed by His Spirit at work in Word and Sacrament, to share His incredible grace. Through us His church, the body of Christ, the Holy Spirit is at work bringing Jesus Christ to a lost world. I have been humbled to be a part of this work and am honored to serve this first term as Vice President of Region C. The congregations of northeast and north-central Nebraska have been gifted by God to grow in and share His love, both locally and throughout the world.

It has been a blessing to represent District congregations and President Sommerfeld at ordinations, installations, anniversaries, and funerals, sharing words of encouragement, hope, and appreciation for the work done in our Lord's kingdom. I have also sought to use God's gifts and my experience to help bring reconciliation and healing to situations where conflict challenges God's people. Again, I have seen the power of God's Word and the influence of the Holy Spirit as grace touches people's hearts and brings people together.

Serving on the District Board, as well as various task forces, is also an aspect of this office

that requires time and energy. Helping plot the course of our work together and oversee our fiscal responsibilities are tasks I take very seriously.

Mission and ministry continue to be the greatest focus of God's people at work in the local congregation. May God continue to bless our individual and collective efforts that His grace would clearly shine within us, among us, and beyond us, to His glory and the salvation of others.

**Report of the Fourth Vice President
Rev. Mike Gruhn, Region A**

It has been an honor to serve the District these past few months as a vice president. I was appointed to fill the unexpired term of Rev. Tom Mroch as he retired and moved to another district. I have been privileged to serve at the installations of pastors, work with the Board of Directors, and serve the people of the District. It has also been an opportunity for me to work with Rev. Rich Boring on the Transforming Churches Network, dealing with revitalization of congregations. I would hope that our District would be able to move forward in this area in the coming years. Thanks for the chance to serve you. May God continue to bless the churches, workers, and people of the Nebraska District.

**Report of the Board of Directors,
Mr. Glenn Van Velson, Chairman**

The Board of Directors has met faithfully on a quarterly basis since the last District Convention. The Board has met in Seward at the District Office and various locations in the District where we are engaged in ministry. The Lord has blessed our work by providing dedicated and professional staff members to conduct the ongoing ministry to fulfill the mission of the Nebraska District.

An overview of the activities of the Board would include changes in strategies, sustaining established ministries, and financial difficulties.

The Board participated in a strategic planning session at the annual retreat in Aurora, Nebraska, in March, 2008. The result was a new method of establishing mission priorities and goals to be accomplished, with each goal broken down into measurable tasks. The District staff was directly involved in setting goals and tasks for their own areas and did a wonderful job. The staff continues to follow the strategic plan and works hard to complete the tasks necessary to accomplish each goal. The services to the District have been

more focused, such as the Church Secretaries' Workshop and the Fiscal Conference held in Grand Island. Decisions on the proper allocation of resources are also made in accordance with the strategic plan.

During the last triennium, the District has continued to provide services to established ministries. Through your District, together we have continued to provide campus ministries in Lincoln, Kearney, Omaha, and Wayne; Hispanic ministries in places such as Grand Island, Lexington, and others; Native American ministries in Winnebago; Sudanese ministries in Omaha and Lincoln, as well as the schools and churches in Sudan. The District provides invaluable assistance and guidance and accreditation to all of the Lutheran preschools and parochial schools in Nebraska, including four high schools. Each year, the District staff organizes a Prairie Fire event, youth events, and others. We continue to support The Lutheran Home in Omaha with financial assistance. The District also provides guidance and assistance to new missions or helps to bring Word

and Sacrament ministry to places that otherwise don't have these blessings.

However, there is more that could be done and the District is unable to pursue other opportunities for mission and ministry because of financial difficulties. The Events Department has been closed and these duties delegated to other busy staff members. The unrestricted giving to the District has decreased, and we have used cash reserves to continue services, but these measures bring only temporary results. Without an increase

in congregational giving to previous levels, and above, the mission and ministry of the Nebraska District will need to change in ways that will have a negative impact on established ministries and limit the number of new opportunities that can be considered. We pray that your congregation can give generously to the work of the Nebraska District (and Synod) in the months ahead.

Praise and glory to God who gives us all good things, and loves us so much that He sent His only Son to die for our sins and give us eternal life!

Report of the Secretary, Rev. Roland Jank, Jr.

I thank God and you for the opportunity to have served in the office of District Secretary during the past six years. What follows is a brief report of things I have done this past triennium.

My responsibilities have been to record all proceedings of the Nebraska District Board of Directors and serve as a member of the Board's Executive Committee; send out to congregations nominations forms for District president, regional vice-presidents, teachers, and lay members to the Board of Directors, and circuit counselors; serve as chairman and secretary to the Constitution Committee; and serve as a member on the District Nominations Committee.

The Board of Directors meets four times per year. The minutes of these meetings are accurately recorded with the assistance of the secretary to President Sommerfeld. Then they are sent to the members of the Board of Directors prior to the next board meeting.

The Constitution Committee meets on an as-needed basis. This averages two times per year. I correspond with congregations with suggestions and recommendations on the improvement of their guiding documents. Following the approval of these constitutions and bylaws, I present them to the Board of Directors for ratification. I also

communicate the results to the congregations.

Six months prior to the District Convention, information and nomination forms were mailed to congregations for elections at the Convention. I compiled the results and presented those results to the District Nominations Committee for certification.

I have received numerous phone inquiries from pastors and congregational officers about constitutional questions. The desire always seems to be to do God's work in a decent, orderly, and godly manner.

I attended a two-day District Secretaries' Meeting in St. Louis in September 2006, called by the Secretary of The Lutheran Church—Missouri Synod. Its purpose was to help each district secretary better understand his constitutional responsibilities and carry out those duties. Certain recurring problems and challenges were addressed. Much valuable experience from fellow secretaries was shared during the discussion periods. This conference provided me with valuable assistance for my work.

May God continue to bless our Nebraska District, as together we strive to become better disciples and make new disciples of Jesus Christ.

District Treasurer's Report Mr. Paul Pettit

“Be wise in the way you act toward outsiders; make the most of every opportunity. Let your conversation be always full of grace, seasoned with salt, so that you may know how to answer everyone.” Colossians 4:5-6. These are important words for each of us to take to heart as God places opportunities before us in furtherance of His plan for each of us. The opportunities both for us and for the District are endless, placing a tremendous responsibility on your Board of Directors and staff to evaluate the District programs, structure, and financial resources in an effort to assure that the blessings God provides are used to His glory within His plan for us. Please continue to keep your Board of Directors and District staff in your prayers as they evaluate the opportunities and needs of the District.

Your Nebraska District Board of Directors annually contracts for an audit of the financial records of the District as part of its fiduciary responsibility, evaluation, and review process. The Internal Audit Department of The Lutheran Church–Missouri Synod has been engaged to perform the annual audits of the District in recent years, including the current fiscal year. I have included a complete copy of the Audited Consolidated Financial Statements of the Nebraska District of The Lutheran Church–Missouri Synod as of and for the years ended January 31, 2009 and 2008 for your information. The report reflects an unqualified audit opinion, indicating that the consolidated financial statements are presented fairly, in all material respects, in conformity with

accounting principles generally accepted in the United States of America. Please note that the above referenced report includes the consolidated financial position, activities, and cash flow for the Nebraska District of The Lutheran Church–Missouri Synod and the Lutheran Ministry Foundation. I encourage you to review the audited financial statements and related footnotes. If you have specific questions or would like to discuss the audited financial information, please feel free to contact me at the District Office.

Another opportunity to learn more about the financial operations of the District is to participate in a District fiscal conference, one of the recommendations provided by the Synod Blue Ribbon Task Force for Funding the Mission. Fiscal conferences are a means to share more detailed information about the vision, operations, and financial activities of the District. We held a Nebraska District fiscal conference in August 2008, and are planning a series of three regional fiscal conferences in August 2009. Please be sure your congregation is represented at one of the fiscal conferences. I am also happy to provide presentations on the finances of the District. If you are interested in a presentation, please contact me at the District Office.

I have prepared the following brief summary of District financial information, excluding the Lutheran Ministry Foundation activity, in order to share with you a snapshot of the District activities:

	1/31/2009	1/31/2008	1/31/2007
Undesignated Congregational Remittances	\$2,752,946	\$2,741,985	\$3,021,954
Other Support, Revenues & Additions	490,354	1,285,909	1,279,540
Total Support, Revenues, & Additions	<u>3,243,300</u>	<u>4,027,894</u>	<u>4,301,494</u>
Synodical Support-Unrestricted	1,350,000	1,500,000	1,500,000
Other Expenses	2,776,053	2,918,961	2,585,859
Total Expenses	<u>4,126,053</u>	<u>4,418,961</u>	<u>4,085,859</u>
Change in Net Assets	(\$882,756)	(\$391,067)	\$215,635

As you are all aware, the financial markets have been extremely difficult in recent months, resulting in significant losses in endowment funds and other investments for entities around the world. The Nebraska District was not exempt from the impact of the decline, losing over \$850,000 from loss in value of investments during our year ended January 31, 2009. These losses are reflected as a reduction of Other Support, Revenues & Additions in the above schedule.

I would like to thank God for each of you for your prayer and financial support of the District. During the current triennium, two congregations have led the District in undesignated congregational remittances on a per communicant basis: Trinity, Auburn, led the way during our year ended January 31, 2009 with giving of \$156.52 per communicant; and Faith, York, led the way for our years ended January 31, 2008 and 2007 with per communicant giving of \$153.51 and \$159.50 respectively. Average per communicant giving from the congregations of the Nebraska District during the years ended January 31, 2009, 2008, and 2007 was \$32.96, \$32.95, and \$36.38 respectively. There were also 37 congregations that were unable to support the District with undesignated congregational remittances during the year ended January 31, 2009.

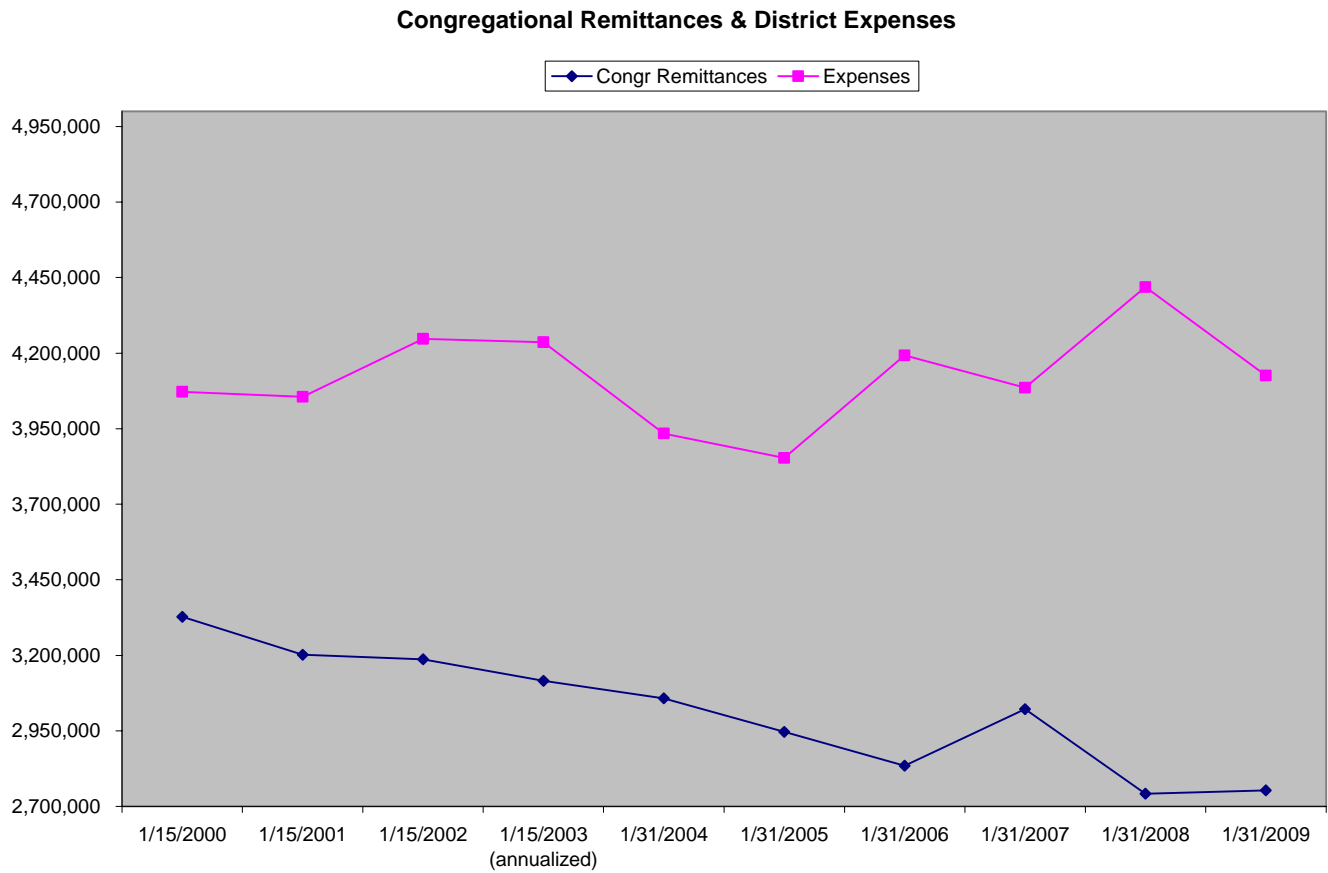
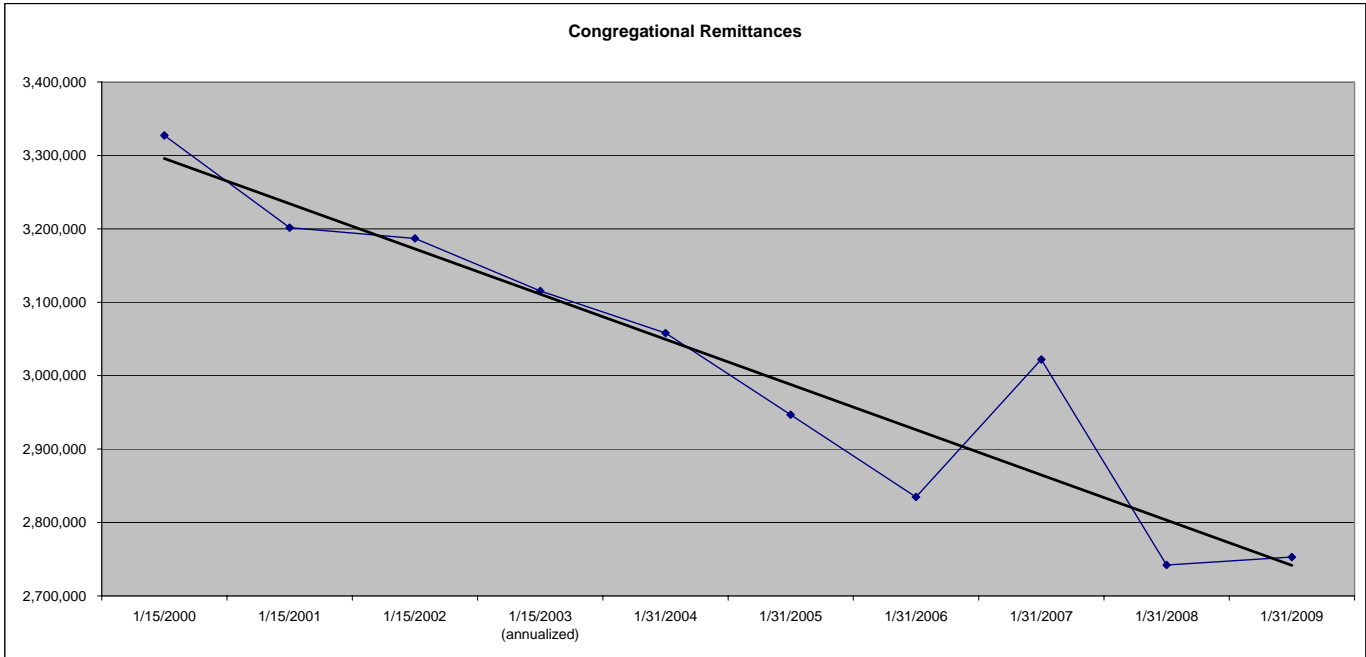
Undesignated congregational remittances to the District have continued their downward trend as visually presented in the graph presented later in this report. You will note from the graph that congregational remittances have declined from a high of \$3,327,319 during our FYE January 15,

2000, to a low of \$2,741,985 during our FYE January 31, 2008. This nearly \$600,000 reduction in undesignated funds has resulted in a reduction of funds available for support of both District and national ministries.

During the same period, total expenses for the District have ranged from a high of \$4,418,961 during our FYE January 15, 2008, to a low of \$3,853,164 during our FYE January 31, 2005. The second graph presented later in this report provides a visual comparison of total District expenses to total undesignated congregational remittances by year. The difference between total District expenses and total congregational remittances is provided through restricted gifts, investment earnings, fees and registrations, reserves, and other forms of revenue.

God continues to place opportunities for ministry before His Nebraska District. The local, regional, national, and world-wide ministry opportunities can become overwhelming. At the same time, our Lord tells us, *“Do not be afraid or terrified . . . for the Lord your God goes with you; He will never leave you nor forsake you.”* (Deut. 31:6) We have more than opportunities – we have an obligation to boldly step out in ministry. I encourage each of you to pray for God’s will as you consider the many opportunities before the District and the allocation of God’s resources to them.

As always, if you have any questions on the financial information provided, or would like to discuss the financial status of the District, please contact me at the District Office. Again, thank you for your support and prayers. God’s continued blessings to each of you and your part in His ministry.



Audited Consolidated Financial Statements

**NEBRASKA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD**

For the Years Ended January 31, 2009 and 2008

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD

JANUARY 31, 2009 and 2008

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REPORT OF INTERNAL AUDITORS

Board of Directors
Nebraska District of
The Lutheran Church–Missouri Synod
Seward, Nebraska

We have audited the accompanying consolidated statements of financial position of the Nebraska District of The Lutheran Church–Missouri Synod and its affiliate as of January 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Nebraska District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Nebraska District's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, as internal auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Nebraska District and its affiliate as of January 31, 2009 and 2008, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

THE LUTHERAN CHURCH–MISSOURI SYNOD
Internal Audit Department

Joann P. Spotanski

St. Louis, Missouri
March 24, 2009

Internal Audit

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets:		
Cash and Cash Equivalents	\$ 262,498	\$ 253,854
Accounts Receivable	37,003	40,440
Interest Receivable - Net (Note 4)	6,856	16,262
Prepaid Expenses	50,014	43,241
Contributions Receivable - Net (Note 3)	394,137	455,957
Loan Receivable - Net (Note 4)	–	–
Short-Term Investments (Note 5)	85,202	208,786
Land, Buildings, and Equipment - Net (Note 6)	1,503,171	1,607,775
Long-Term Investments (Note 7)	6,014,863	6,964,067
Funds Held by Third-Party Trustee (Note 8)	<u>595,060</u>	<u>726,738</u>
 Total Assets	 <u>\$ 8,948,804</u>	 <u>\$ 10,317,120</u>
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 155,697	\$ 168,393
Deferred Revenue	202,834	93,521
Grants Payable (Note 9)	<u>440,184</u>	<u>693,479</u>
 Total Liabilities	 <u>798,715</u>	 <u>955,393</u>
Net Assets:		
Undesignated	(2,117,377)	(924,604)
Investment in Land, Buildings, and Equipment	1,503,171	1,607,775
Board-Designated (Note 11)	<u>7,083,931</u>	<u>6,901,184</u>
Total Unrestricted	6,469,725	7,584,355
Temporarily Restricted (Note 12)	908,200	871,817
Permanently Restricted (Note 13)	<u>772,164</u>	<u>905,555</u>
 Total Net Assets	 <u>8,150,089</u>	 <u>9,361,727</u>
 Total Liabilities and Net Assets	 <u>\$ 8,948,804</u>	 <u>\$ 10,317,120</u>

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

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>				
Support -				
District Congregations (Note 1)	\$ 2,752,946	\$ 138,495	\$	\$ 2,891,441
Fan Into Flame (Note 15)		83,498		83,498
Distribution of LCEF Operating Results		108,320		108,320
Other	35,181	334,029	141	369,351
Revenues -				
Subscriptions	75,632			75,632
Conventions, Conferences, and Workshops	233,187			233,187
Income on Cash and Cash Equivalents	2,539			2,539
Income on Short-Term Investments	2,899			2,899
Income on Long-Term Investments	122,053	569		122,622
Agreements with LCEF (Note 16)	170,406			170,406
Other	37,285			37,285
Change in Value of Split-Interest Agreements		(72,940)	(1,863)	(74,803)
Change in Value of Funds Held By Third-Party Trustee			(131,678)	(131,678)
Net Gain (Loss) on Investments	(633,271)	4,501	9	(628,761)
Net Assets Released from Restrictions (Note 17)	560,089	(560,089)		-
	3,358,946	36,383	(133,391)	3,261,938
<u>EXPENSES:</u>				
Synodical Budget	1,350,000			1,350,000
Program Services -				
World and National Missions	1,270,702			1,270,702
Preparing Church Workers	454,012			454,012
Congregational Services	420,976			420,976
Support Services -				
Mission and Ministry Support Services	701,758			701,758
Ecclesiastical and Program Administration	233,922			233,922
Fund-Raising	42,206			42,206
	4,473,576	-	-	4,473,576
CHANGE IN NET ASSETS	(1,114,630)	36,383	(133,391)	(1,211,638)
NET ASSETS - Beginning of Year	7,584,355	871,817	905,555	9,361,727
NET ASSETS - End of Year	\$ 6,469,725	\$ 908,200	\$ 772,164	\$ 8,150,089

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

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES, & OTHER ADDITIONS:</u>				
Support -				
District Congregations (Note 1)	\$ 2,741,985	\$ 144,100	\$	\$ 2,886,085
Distribution of LCEF Operating Results		61,821		61,821
Other	44,232	277,356	10,594	332,182
Revenues -				
Subscriptions	78,802			78,802
Conventions, Conferences, and Workshops	313,735			313,735
Income on Cash and Cash Equivalents	2,711			2,711
Income on Short-Term Investments	23,486			23,486
Income on Long-Term Investments	84,529	662		85,191
Agreements with LCEF (Note 16)	132,303			132,303
Other	46,078			46,078
Change in Value of Split-Interest Agreements		7,120		7,120
Change in Value of Funds Held By Third-Party Trustee			(19,529)	(19,529)
Net Gain (Loss) on Investments	119,443	(517)	(9)	118,917
Net Assets Released from Restrictions (Note 17)	580,667	(580,667)		-
	<u>4,167,971</u>	<u>(90,125)</u>	<u>(8,944)</u>	<u>4,068,902</u>
<u>EXPENSES:</u>				
Synodical Budget	1,500,000			1,500,000
Program Services -				
World and National Missions	1,277,011			1,277,011
Preparing Church Workers	222,839			222,839
Congregational Services	399,336			399,336
Support Services -				
Mission and Ministry Support Services	815,202			815,202
Ecclesiastical and Program Administration	251,004			251,004
Fund-Raising	19,194			19,194
	<u>4,484,586</u>	<u>-</u>	<u>-</u>	<u>4,484,586</u>
CHANGE IN NET ASSETS	(316,615)	(90,125)	(8,944)	(415,684)
NET ASSETS - Beginning of Year	7,900,970	961,942	914,499	9,777,411
NET ASSETS - End of Year	<u>\$ 7,584,355</u>	<u>\$ 871,817</u>	<u>\$ 905,555</u>	<u>\$ 9,361,727</u>

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

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH—MISSOURI SYNOD
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,211,638)	\$ (415,684)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	112,116	105,307
Bad Debt Expense	—	25,010
Change in Value of Split-Interest Agreements	74,803	(7,120)
Change in Value of Funds Held by Third-Party Trustee	131,678	19,529
Gain on Property Disposals	—	(373)
Donated Fixed Asset	—	(7,700)
Net (Losses) Gains on Investments	628,761	(118,917)
Contributions Restricted for Long-Term Investment	(141)	(10,594)
Capital (Gains) Losses Restricted for Long-Term Investment	(9)	9
(Increase) Decrease in Assets:		
Accounts Receivable	3,437	(4,073)
Interest Receivable	9,406	(3,803)
Prepaid Expenses	(6,773)	(4,508)
Contributions Receivable	(12,983)	(24,562)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(12,696)	23,155
Deferred Revenue	109,313	(35,967)
Grants Payable	(253,295)	239,594
	(428,021)	(220,697)
Net Cash Used by Operating Activities		
Cash Flows from Investing Activities:		
Proceeds from Sale of Fixed Assets	—	500
Purchases of Fixed Assets	(7,512)	(836,770)
Purchases of Short-Term Investments	(351,731)	(346,329)
Proceeds from Sale of Short-Term Investments	475,315	1,060,481
Proceeds from Sale of Long-Term Investments	517,025	164,690
Purchases of Long-Term Investments	(196,582)	(60,487)
Loan Receivable - Advances	(125,020)	(390,070)
- Principal Repayments	125,020	365,060
	436,515	(42,925)
Net Cash (Used) Provided by Investing Activities		

(Continued)

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
FOR THE YEARS ENDED JANUARY 31, 2009 and 2008

	2009	2008
Cash Flows from Financing Activities:		
Contributions Restricted for		
Investment in Permanent Endowments	141	10,594
Capital Gains (Losses) Restricted for Reinvestment	9	(9)
Net Cash Provided by Financing Activities	150	10,585
Net (Decrease) Increase in Cash and Cash Equivalents	8,644	(253,037)
Cash and Cash Equivalents - Beginning of Year	253,854	506,891
Cash and Cash Equivalents - End of Year	\$ 262,498	\$ 253,854

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

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

1. NATURE OF ORGANIZATION

The Nebraska District, a not-for-profit organization, is one of 35 geographic Districts of The Lutheran Church–Missouri Synod (the Synod), encompassing 245 congregations in the state of Nebraska. The Synod established its District offices to more effectively achieve its objectives and assist its congregations and their members in conserving and promoting the unity of the faith, and in carrying out their functions of worship, witness, teaching and nurture, service and support.

The District relies on donations from its member congregations for a significant portion of its support. As shown on the consolidated statements of activities, support from District congregations totaled \$2,891,441 and \$2,886,085 for the years ended January 31, 2009 and 2008, respectively. These donations are subject to fluctuations in the economic status of the area in which the congregations are located. No provisions have been made for changes in the economic environment.

Expenses are classified on the consolidated statements of activities by major functions of the District as follows:

- *World and National Missions* – World missions includes the District’s personalized world ministry support. National missions includes but is not limited to North American new mission work, campus ministries, deaf ministries, ethnic ministries, urban ministries, congregational support, and related conferences and events.
- *Preparing Church Workers* – Includes financial aid provided to students normally attending one of the ten colleges/universities or two seminaries of the Synod.
- *Congregational Services* – Supports District congregational service efforts and includes but is not limited to Sunday School activities, confirmation, family life, day care, adult education, outdoor ministry, singles ministry, elementary and secondary education, and related conferences and events.
- *Mission and Ministry Support Services* – Includes the District’s communication efforts, financial and general service activities, the operation/maintenance of District office facilities, District/Synodical convention expenses, and the District’s support of the national Lutheran Church Extension Fund (LCEF) efforts as discussed in Note 16.
- *Ecclesiastical and Program Administration* – Includes activities of the president’s office, vice-presidents, circuit counselors, reconcilers, and related conferences and events, as well as support of the District Board of Directors and its related committees.
- *Fund-Raising* – Includes gift planning support of the District.

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

The Nebraska District of the Synod is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and by virtue of a group tax-exempt ruling to the Synod and its component parts, is exempt from federal income taxes.

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

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

Financial Statement Presentation

The District follows the reporting requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the District reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Consolidated Financial Statements

In accordance with the American Institute of Certified Public Accountants Statement of Position 94-3, the District consolidates into its financial statements the account balances and operations of The Lutheran Ministry Foundation (LMF), an organization in which it has both control over and an economic interest in its operations.

LMF was established in October 1987 to provide charitable grants to tax-exempt organizations consistent with the tenets of the Lutheran Faith. Grants will be made directly to such organizations or by contribution to the Nebraska District of The Lutheran Church–Missouri Synod. The Articles of Incorporation and Bylaws state the Nebraska District shall be the one voting member (i.e., Corporate Member) of the Foundation.

Fair Value Measurements

Effective February 1, 2008, the District adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements - Continued

SFAS No. 157 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

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

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

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

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the District. The District considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the District’s perceived risk of that instrument.

Cash and Cash Equivalents

For financial statement purposes, the District considers currency, demand deposits, and liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. At times throughout the year, the cash and cash equivalent balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

NEBRASKA DISTRICT of
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Split-Interest Agreements

Split-interest agreements consist primarily of irrevocable charitable remainder trusts and charitable gift annuities. The assets associated with such agreements are held by the Lutheran Church—Missouri Synod Foundation (LCMS Foundation). Contributions are recognized as contributions receivable and gift income when the District is notified of the agreements, and are recorded at the present value of the estimated future benefits to be received when the assets are distributed to the District. The valuations of the agreements are initially calculated by the LCMS Foundation. The agreements are re-valued annually by the LCMS Foundation and any resulting actuarial gain or loss is reflected in the statement of activities as a change in value of split-interest agreements.

Support/Revenue Recognition

The District recognizes contributions as prescribed by SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as support when they are received or unconditionally pledged. Amounts pledged are presented as contributions receivable and are stated at the net present value of the amount expected to be collected from outstanding balances. The District provides for an estimated uncollectible amount based on historical experience and industry trends. Conditional promises to give are not included as support until the conditions are substantially met.

The District reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The District reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the District reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services are reported in the financial statements at fair value for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Fair value is determined using market-corroborated or otherwise observable inputs, which are classified in Level 2 of the SFAS fair value hierarchy (see Fair Value Measurements disclosure above).

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property

Land, buildings, improvements, and equipment with a value of at least \$1,000 and having a useful life greater than one year are capitalized and recorded at cost. Property received by gift is recorded at fair value on the date of receipt. Fair value is determined using market-corroborated or otherwise observable inputs, which are classified in Level 2 of the SFAS fair value hierarchy (see Fair Value Measurements disclosure above).

Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 years
Building and Other Improvements	10 to 25 years
Office Furnishings, Equipment, and Vehicles	4 to 7 years

Investments

Investments that mature or are otherwise expected to be converted to cash within one year from date of purchase are classified as short-term investments. Investments with maturities greater than or equal to one year at time of purchase are classified as long-term. In addition, investments with maturities of less than one year at time of purchase, which the District has both the ability and intent to hold long-term, are also classified as long-term investments.

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments are carried at fair value. Per the SFAS No. 157 fair value hierarchy disclosed in Fair Value Measurements above, investments whose values are based on quoted market prices in active markets are classified within Level 1 (e.g., debt and marketable equity securities). Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2 (e.g., real estate). Investments classified with Level 3 have significant unobservable inputs, as they trade infrequently or not at all (e.g., private equity, pooled equity funds).

Endowments

The District's endowment is comprised of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NEBRASKA DISTRICT of
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Endowments – Continued

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FAS 117-1 also improves disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Nebraska adopted UPMIFA effective September 1, 2007. The District has adopted FAS 117-1 for the year ended January 31, 2009. The Board of Directors is in the process of interpreting the State UPMIFA and evaluating potential changes to its investment and spending policies governing its endowment assets. Management believes this interpretation and development of appropriate endowment fund investment and spending policies will be completed prior to January 31, 2010.

3. CONTRIBUTIONS RECEIVABLE

At January 31, 2009 and 2008, contributors have unconditionally promised to give the District \$546,255 and \$660,044, respectively. Of these amounts, \$461,668 and \$529,432 are held by the LCMS Foundation as irrevocable deferred gifts of which the District is the beneficiary and will receive the principal at some future date.

Contributions which are expected to be collected after one year (i.e., after January 31, 2010) have been discounted at appropriate rates and are reflected in the financial statements at their net present value.

(Continued)

NEBRASKA DISTRICT of
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

3. CONTRIBUTIONS RECEIVABLE – Continued

Management believes total contributions will be received as follows:

	January 31, 2009			
	Congregational Support	Irrevocable Deferred Gifts	Other	Total
Amount Due:				
Within One Year	\$ 48,737	\$ 141,236	\$ 30,850	\$ 220,823
In One to Five Years		38,471	5,000	43,471
After Five Years		281,961		281,961
	48,737	461,668	35,850	546,255
Less: Present Value Component		(150,514)	(1,604)	(152,118)
	\$ 48,737	\$ 311,154	\$ 34,246	\$ 394,137

	January 31, 2008			
	Congregational Support	Irrevocable Deferred Gifts	Other	Total
Amount Due:				
Within One Year	\$ 112,072	\$	\$ 8,540	\$ 120,612
In One to Five Years		195,257	10,000	205,257
After Five Years		334,175		334,175
	112,072	529,432	18,540	660,044
Less: Present Value Component		(202,316)	(1,771)	(204,087)
	\$ 112,072	\$ 327,116	\$ 16,769	\$ 455,957

The District is also the beneficiary of other trusts administered by the LCMS Foundation. The assets of these trusts are not included in contributions receivable since the beneficiaries may be changed at the discretion of the grantor. On January 31, 2009 and 2008, the future value of the assets of these trusts totaled \$278,920 and \$390,276, respectively.

NEBRASKA DISTRICT of
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. LOAN RECEIVABLE

Effective January 1, 2001, the District entered into an agreement in which it voluntarily provides financial and other assistance to a Recognized Service Organization (RSO) of the Synod which is in a significant financial crisis. As of January 31, 2009 and 2008, the District had advanced \$1,582,768 to the RSO. This organization engaged external auditors to conduct an audit of its financial statements as of June 30, 2008 and 2007. The audited financial statements as of June 30, 2008 were not available as of the date of this report. In the financial statements as of June 30, 2007, the auditor noted the RSO incurred net losses from operations and has a net asset deficiency that raises substantial doubt about the organization's ability to continue as a going concern. Because of this doubt, the District recorded an allowance for doubtful loan of \$1,582,768 at January 31, 2009 and 2008, respectively, resulting in a net loan receivable balance of \$0 at January 31, 2009 and 2008. Additionally, the District allowed for \$53,491 of the accrued interest receivable on this loan which is also potentially uncollectible.

These loan advances were originally secured by a deed of trust, however, the District has entered into an agreement with the LCEF whereby the lien of the District's deed of trust was unconditionally subordinated in favor of LCEF. Per the deed of trust note, interest accrued on the unpaid principal balance at the rate of 8% per annum and, until demanded by the District, no payments of principal and/or interest shall be made by the RSO. Effective November 1, 2003, the Nebraska District Board of Directors reduced the interest rate to 0%.

5. SHORT-TERM INVESTMENTS

Short-term investments totaling \$85,202 and \$208,786 at January 31, 2009 and 2008, respectively, are on deposit in an LCEF Steward Account. The interest rate on this account varies and the funds are due and payable on demand.

NEBRASKA DISTRICT of
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6. LAND, BUILDINGS, AND EQUIPMENT

At January 31, 2009 and 2008, the District had fixed assets consisting of the following:

	January 31	
	2009	2008
Land	\$ 387,616	\$ 387,616
Office Building	469,838	469,838
Campus Centers	1,066,395	1,066,395
Parsonages	225,175	225,175
Other Properties	825,368	825,368
Office Furnishings and Equipment	421,019	413,507
Vehicles	152,414	152,414
	<u>3,547,825</u>	<u>3,540,313</u>
Total Land, Buildings and Equipment	3,547,825	3,540,313
Less: Accumulated Depreciation	<u>(2,044,654)</u>	<u>(1,932,538)</u>
	<u>\$ 1,503,171</u>	<u>\$ 1,607,775</u>
Net Land, Buildings and Equipment	<u>\$ 1,503,171</u>	<u>\$ 1,607,775</u>

7. LONG-TERM INVESTMENTS

At January 31, 2009 and 2008, the District held the following long-term investments:

	Interest Rates	Maturity Dates	January 31	
			2009	2008
Real Estate	–	–	\$ 2,853,895	\$ 2,762,731
Marketable Securities	Varies	Demand	1,508,880	2,369,876
LCEF Notes	Varies	Demand		
	to 6%	to 8/13	1,446,113	1,541,551
LCMS Foundation	Varies	Demand	<u>205,975</u>	<u>289,909</u>
			<u>\$ 6,014,863</u>	<u>\$ 6,964,067</u>

(Continued)

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

7. LONG-TERM INVESTMENTS – Continued

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

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

Notes issued by LCEF are unsecured and are not FDIC-insured bank deposit accounts. No public market exists for the notes; the investment fair value approximates carrying value.

In December 2003, LMF received nine holes and the clubhouse of a golf course in Omaha, Nebraska, covering approximately 56 acres. This gift of real estate is encumbered by a long-term renewable lease that could extend through the year 2046. Under this lease agreement, LMF is entitled to certain minimum lease payments. If the tenant fails to meet these minimum payments, LMF has the option to terminate the lease, reimburse the tenant for the fair value of the improvements, and take possession of the property. Management believes the highest and best use of this property will be for home sites.

The LMF Board of Directors elected to hold this property as an investment believing it will increase in value and the lease payments will provide cash for operations. In order to value this investment for financial statement purposes, the following assumptions were made:

- Exclusive of all other encumbrances and rights, the property had an appraised value of \$1.50 per square foot at the date of the gift.
- The tenant will exercise all lease renewal options available through the year 2046.
- The property will continue to appreciate in value through 2046 at an average rate of 3%.
- Future cash flows of this investment are discounted at a rate of 5%.

Under these assumptions, this investment was valued at \$2,853,895 and \$2,762,731 at January 31, 2009 and 2008, respectively, as shown in the above schedule. Absent new information, the value of this investment in subsequent financial statements will be determined by application of these assumptions and actual cash payments received, not by re-appraisal or re-valuation of the property.

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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8. FUNDS HELD BY THIRD-PARTY TRUSTEE

Funds held by third-party trustee consist of irrevocable trusts from which the District is to receive the income in perpetuity. The principal is held in trust by the LCMS Foundation and will never revert to the District. The perpetual stream of income is viewed by the District as promises to give by the individuals who established the trusts and has been recorded at the fair value of the trusts at January 31, 2009 and 2008, which closely approximates the net present value of the perpetual income stream.

Given the nature of the promises, the District has recorded these contributions as permanently restricted net assets. Income received is recorded as either unrestricted or temporarily restricted activity based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded in the statements of activities as changes in permanently restricted net assets.

9. GRANTS PAYABLE

The District has outstanding unconditional promises to give to the Synod (\$232,722 and \$383,757 at January 31, 2009 and 2008, respectively) and to other various unrelated organizations. Management believes the grants will be paid as follows:

	January 31	
	2009	2008
Amount Due:		
Within One Year	\$ 429,246	\$ 664,542
In One to Five Years	15,000	37,500
	444,246	702,042
Less: Present Value Component	(4,062)	(8,563)
	\$ 440,184	\$ 693,479

10. WRITTEN GUARANTEE OF THE DEBT OF OTHERS

Per a guaranty agreement dated February 13, 2006, the District has guaranteed up to \$417,000 of principal, interest, attorney's fees, and collection costs on a loan made by LCEF to The Lutheran Home located in Omaha, Nebraska. This guaranty is unsecured and terminates on June 9, 2009.

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

11. BOARD-DESIGNATED NET ASSETS

The Board of Directors designated unrestricted net assets for the following specific purposes:

	January 31	
	<u>2009</u>	<u>2008</u>
World and National Missions	\$ 1,534,000	\$ 1,450,000
Congregational Services	119,441	154,260
Mission and Ministry Support Services	320,379	221,654
Ecclesiastical and Program Administration	1,335,437	1,375,437
Lutheran Ministry Foundation	<u>3,774,674</u>	<u>3,699,833</u>
	<u>\$ 7,083,931</u>	<u>\$ 6,901,184</u>

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the District. At January 31, 2009 and 2008, temporarily restricted net assets are available for the following specific purposes, or time restrictions have been placed on the use of the funds as noted in the following schedule:

	January 31	
	<u>2009</u>	<u>2008</u>
Purpose Restrictions:		
World and National Missions	\$ 516,334	\$ 367,066
Preparing Church Workers	52,602	75,243
Congregational Services	20,744	97,056
Lutheran Ministry Foundation	<u>11,000</u>	<u>10,833</u>
	600,680	550,198
Time Restrictions:		
Irrevocable Trusts	<u>307,520</u>	<u>321,619</u>
	<u>\$ 908,200</u>	<u>\$ 871,817</u>

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
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JANUARY 31, 2009 and 2008

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. The income from these investments will be used to support:

	January 31	
	2009	2008
World and National Missions	\$ 13,648	\$ 14,908
Preparing Church Workers	655,311	787,443
Lutheran Ministry Foundation	103,204	103,204
	\$ 772,163	\$ 905,555

14. ENDOWMENT FUNDS

The District's endowment consists of five individual donor-restricted funds established for preparing church workers and world and national mission. Endowment assets are currently being managed and invested by District management. Management does not consider permanently restricted assets held and managed by third-parties (e.g., split-interest agreements, funds held by third-party trustee) to be part of the endowment fund. Therefore, these net assets are not included in the required FAS 117-1 disclosures below.

As of January 31, 2009, the District's endowment net asset composition by fund type is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds:				
Donor-Restricted	\$ (62,297)	\$ 1,406	\$ 173,470	\$ 112,579

(Continued)

NEBRASKA DISTRICT of
THE LUTHERAN CHURCH–MISSOURI SYNOD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2009 and 2008

14. ENDOWMENT FUNDS – Continued

The changes in the endowment net assets for the year ended January 31, 2009, are summarized below:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Net Assets -				
Beginning of Year	\$ (6,909)	\$ 1,124	\$ 173,320	\$ 167,535
Investment Return:				
Investment Income		707		707
Net Appreciation/(Depreciation)				
(realized and unrealized)	<u>(55,388)</u>	<u>4,501</u>	<u>9</u>	<u>(50,878)</u>
Total Investment Return	(55,388)	5,208	9	(50,171)
Contributions			141	141
Appropriation of Endowment				
Assets for Expenditure	<u> </u>	<u>(4,926)</u>	<u> </u>	<u>(4,926)</u>
Endowment Net Assets -				
End of Year	<u>\$ (62,297)</u>	<u>\$ 1,406</u>	<u>\$ 173,470</u>	<u>\$ 112,579</u>

As of January 31, 2008, the District's endowment net asset composition by fund type is summarized as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Funds:				
Donor-Restricted	<u>\$ (6,909)</u>	<u>\$ 1,124</u>	<u>\$ 173,320</u>	<u>\$ 167,535</u>

(Continued)

NEBRASKA DISTRICT of
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14. ENDOWMENT FUNDS – Continued

The changes in the endowment net assets for the year ended January 31, 2008, are summarized below:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Net Assets -				
Beginning of Year	\$ –	\$ 23,272	\$ 168,233	\$ 191,505
Investment Return:				
Investment Income		620		620
Net Depreciation (realized and unrealized)	<u>(6,909)</u>	<u>(517)</u>	<u>(9)</u>	<u>(7,435)</u>
Total Investment Return	(6,909)	103	(9)	(6,815)
Contributions			5,096	5,096
Appropriation of Endowment Assets for Expenditure		<u>(22,251)</u>		<u>(22,251)</u>
Endowment Net Assets -				
End of Year	<u>\$ (6,909)</u>	<u>\$ 1,124</u>	<u>\$ 173,320</u>	<u>\$ 167,535</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state UPMIFA requires the District to retain as a fund of perpetual duration. As of January 31, 2009, the aggregate amount of the deficiencies for all donor-restricted endowment funds for which the fair value of the assets was less than the level required by donor stipulations or law totaled \$40,167. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of January 31, 2008.

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15. FAN INTO FLAME

“Fan into Flame” is the national fundraising campaign of the Synod in support of its international *Ablaze!* movement. The campaign is designed to provide financial support to the Synod, the Districts, and District congregations to assist their efforts to bring the Good News of Jesus to unreached and uncommitted people. The campaign was approved by the Synod’s 2004 convention and will be conducted within the Nebraska District through 2009.

Donations are received directly by the Synod and are periodically distributed to the District. These distributions are recorded as either agency activity or temporarily restricted support in the period in which they are received. During the year ended January 31, 2009, the District received \$83,498 in support from the Synod, which is reflected in the statement of activities.

16. AGREEMENTS WITH THE LUTHERAN CHURCH EXTENSION FUND

In accordance with certain agreements, which are subject to renegotiation each July, the LCEF agreed to compensate the District for providing facilities and services to the LCEF, as well as for promotion and coordination of church extension program activities within the District. The agreements require LCEF to pay the District a fixed amount on a monthly basis. The amounts received by the District in connection with these agreements during the years ended January 31, 2009 and 2008, totaled \$170,406 and \$132,303, respectively.

LCEF also reimburses the District for certain other stipulated expenses made on behalf of LCEF (e.g., travel, conferences/workshops), which are recorded in accounts receivable activity during the fiscal year.

17. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by the occurrence of other events specified by donors. For the years ended January 31, 2009 and 2008, temporarily restricted net assets were released as follows:

	January 31	
	2009	2008
Purpose Restrictions Accomplished:		
World and National Missions	\$ 447,225	\$ 295,280
Preparing Church Workers	68,010	113,827
Congregational Services	44,338	165,138
Fixed Assets Acquired and Placed in Service	–	5,906
Lutheran Ministry Foundation	516	516
	<u>\$ 560,089</u>	<u>\$ 580,667</u>

NEBRASKA DISTRICT of
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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18. CONTRIBUTED SERVICES

The District received \$21,819 and \$17,946 of contributed legal services during the years ended January 31, 2009 and 2008, respectively. These contributions have been reflected in the accompanying consolidated statements of activities as support and legal expenses.

19. DEFINED BENEFIT PLANS

The District participates in the worker benefit plans of the Synod. Substantially all full-time employees are covered by these retirement and disability/survivor programs. The District contributes a fixed percentage of each participant's salary to the plans. Retirement and disability/survivor program expenses for the years ended January 31, 2009 and 2008, totaled \$91,945 and \$84,892, respectively.