

Twenty20 ANNUAL REPORT and Offering Circular



Lutheran Church Extension Fund
> where investments build ministry

LETTER FROM OUR CEO AND BOARD CHAIR



Dear Friend in Christ,

Ten years from now, we will look back on 2020 and see it for what it really was: a defining moment. The year began strong. For all intentions, Lutheran Church Extension Fund (LCEF) was going to have another banner year. Then COVID-19 hit, and our playbooks were out the window. Yet, what could have been a down year, 2020 turned out to be a tremendous year for LCEF. Let me explain.

Adversity is an invitation to grow. It's a forced stretch goal—something we are not comfortable with, and more importantly, it will require us to muster up resources we didn't know we had. That's good. Trials strengthen us individually and as an organization. More importantly, adversity draws us closer to our gracious God in Christ Jesus.

So LCEF plowed ahead into the year and the challenges COVID-19 presented, determined to love and care for our church and her workers in any manner we could. By God's grace and the support of our faithful investors, partners and stakeholders like you, we were able to help our customers and the LCMS family in a multitude of ways, something you can learn more about in the president's bi-annual shareholder letter (lcef.org/letter).

In addition, we finished the year with \$4 million in net income; surpassed our 3% net investment goal with \$122 million in new assets (a 7% increase); and secured \$201 million in new loans (our goal was \$205 million). We crossed another significant milestone this year as well: \$2 billion in total assets. The Lord has been nothing but generous to LCEF.

This continued growth is a testimony to our partners and those we serve. They contribute to our financial strength, allowing us to grow ministry opportunities. But at the end of the day, LCEF is ultimately measured in more people hearing the Gospel of Jesus and, through the gift of faith, living lives of service to God and neighbor.

We have been called upon to do extraordinary work, and you'll see in this year's annual report that we are in a solid financial position to step forward and provide resources and services that the church needs today, tomorrow and long into the future.

In peace,

A handwritten signature in blue ink that reads "Bart Day".

Rev. Bart Day
President and CEO
Lutheran Church Extension Fund

A handwritten signature in blue ink that reads "Rev. Max Phillips".

Rev. Max Phillips
Board of Directors Chair
Lutheran Church Extension Fund

FINANCIALLY STRONG BECAUSE OF YOU

We wouldn't be able to help support Lutheran Church—Missouri Synod (LCMS) ministries without the faithful support of our 60,000 investors. This strong and stable base means the important role LCEF plays in supporting the LCMS, through loans and ministry support services, will continue long into the future.

\$2.01
BILLION

Total Assets

\$1.77
BILLION

Investor Payables
Portfolio

\$4
MILLION

Net Income

\$1.64
BILLION

Loan Portfolio

\$239
MILLION

Net Assets

\$201
MILLION

New Loans Closed

\$2.3
MILLION

Kaleidoscope
Fund Grants

LOVING OUR MINISTRY PARTNERS

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.

A LENDER WHO CARES ABOUT THINGS IMPORTANT TO YOU



Dr. Phillip and Sandy Johnson

For many homeowners who are empty nesters, downsizing begins a new chapter in their lives, but Dr. Phillip and Sandy Johnson looked at the move a little differently.

“With the four kids out of the house, I don’t know if it was downsizing as much as it was right-sizing,” Johnson said.

In 2013, Johnson accepted the position of assistant to the president for congregation mission formation within The Lutheran Church—Missouri Synod (LCMS) Minnesota South District. He then calculated that the drive to and from work every day was almost 40 miles longer than his previous job. He felt a move closer was needed.

When it comes to buying a home, finding a mortgage lender that you can trust while offering the best deal for your situation can be difficult. However, for the Johnsons, the decision was a no-brainer.

Johnson became familiar with the work of Lutheran Church Extension Fund (LCEF) and knew when receiving a residential loan from LCEF, the proceeds from that loan would be reinvested in the church. Those proceeds are called the “ministry dividend.”

When Johnson started at the LCMS Minnesota South District, he was working firsthand with pastors and congregations to develop intentional, purposeful engagement in ministry beyond their current membership. Sometimes that entailed looking at a congregation’s loan needs.

When congregations that Johnson worked with utilized LCEF, whether for loan needs or ministry support services, he was able to see firsthand how the ministry dividend was being used to expand ministry.

“LCEF fit my values,” Johnson said. “They fit the things that are important to me, so that was actually as important to me or even more important to me than getting the absolute lowest interest rate.”

That’s why he reached out to Kai Larson, LCEF district vice president of the LCMS Minnesota South District, when it was time to secure a loan.

“We talked about loan structure and whatnot, and the one thing he told me is he wants to use LCEF because he knows exactly where their money goes,” said Larson.

“It’s just a natural partnership. It was an easy decision,” Johnson confirmed.

Because their previous home didn’t sell as quickly as they hoped, the Johnsons had to go with a more conventional 20% down payment. Two months into the mortgage, the house finally sold, allowing them to roll the proceeds of the sale into the loan, reducing their principal balance and monthly mortgage payment.

Johnson appreciated how painless the process was.

“The fact that I know my mortgage lender by name,” Johnson said, “that I can call her and her ability to respond to any questions quickly. Really simple process. They walked me through it very easily.”

That good work that Johnson says LCEF does starts with investors: Lutherans who invest with LCEF. LCEF’s part is to steward those investments in a manner that enhances, expands and energizes the church and her workers—church workers such as the Johnsons.

A UNIQUE SERVANT OF GOD

It was in Schaumburg, Ill., when the light bulb went off for Darlene Hillman. She was at Lutheran Church Extension Fund's (LCEF) 2016 Leadership Conference. What really hit home for her was the fact that LCEF did so much more and was "truly interested in helping everybody."

Over the years, Hillman was vaguely aware of LCEF. She served on several church committees and councils at Immanuel Lutheran Church, DeKalb, Ill., her home church, where the organization was mentioned in connection with Immanuel's loan. Then, a few years ago, she got to know Vanda Toner, LCEF vice president for the LCMS Northern Illinois District.

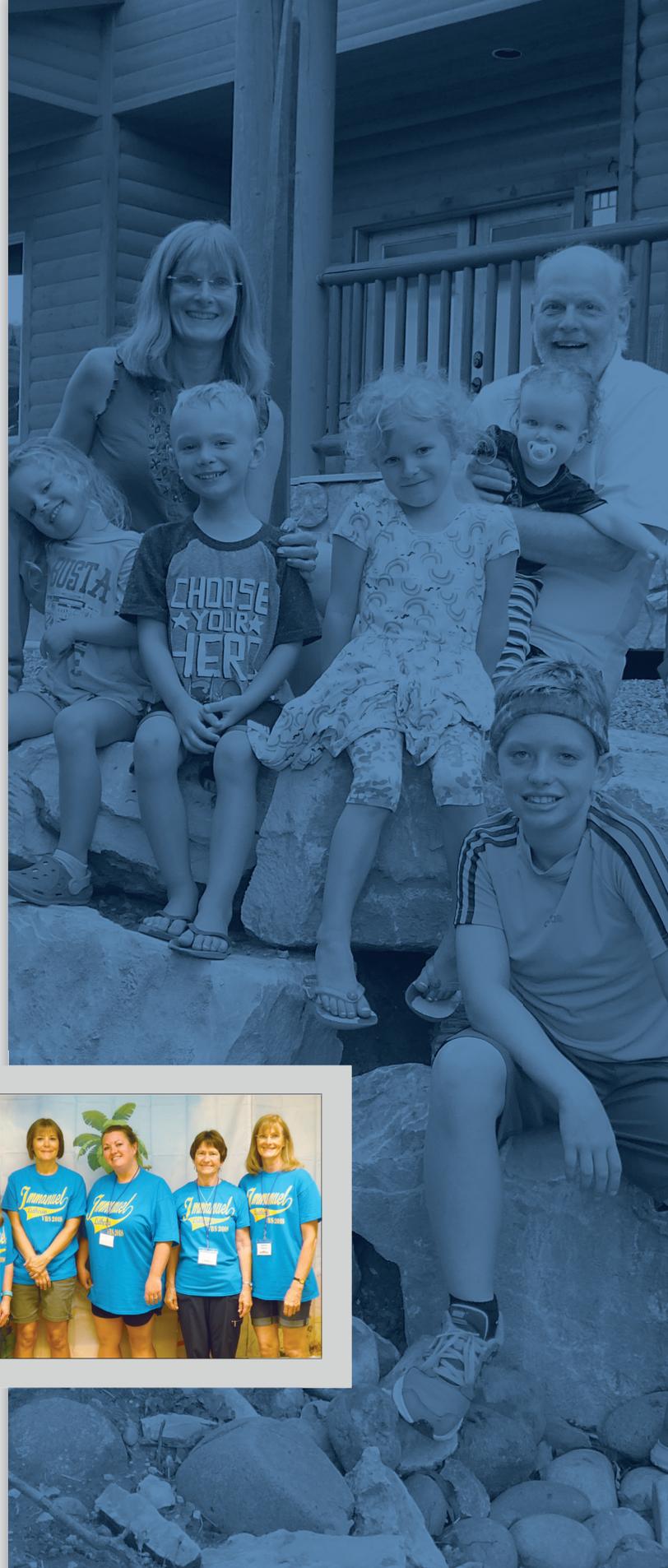
"I started to learn more about Lutheran Church Extension Fund through Vanda. She was new and just getting to know people in the district." Then Toner invited her to her first LCEF Leadership Conference where Hillman finally understood all that LCEF did. Shortly after that she became an LCEF advocate.

Toner has nothing but good things to say about Hillman. "Darlene is a unique servant of God in that she selflessly gives her time and talents whether in her role as a church administrator, an LCEF Advocate or a partner in ministry, all while being a devoted wife and mother."

About LCEF, Hillman said, "It's a great partnership, starting with investments like the Young Investors (Y.I.) StewardAccount®. At our school, every preschooler is offered a Y.I. StewardAccount, with Immanuel contributing the first \$25, as a way of giving back and investing in the children." Ninety percent of the students are not part of the church, so Immanuel wants this to be seen as a gift.

On a personal level, Hillman and her husband have a Family Emergency StewardAccount and every birthday and Christmas, she puts money in her eight grandchildren's Y.I. StewardAccounts. Hillman realizes this is so much more than just saving—it can also help strengthen the church.

LCEF is honored to be a part of Hillman's story. Through the support of faithful investors like Hillman, we are able to make funds available to equip LCMS pastors, churches, schools and organizations to fulfill their call of sharing the Gospel.



Right: Darlene Hillman pictured with family.
Inset: Hillman with the Immanuel VBS group in 2018.

A MISSION OUTPOST IN LAS VEGAS

In 1952, businessman and philanthropist Howard Hughes Jr. bought 25,000 acres of unused land around Las Vegas. In 1988, the Howard Hughes Corporation, known as Summa, announced plans to build a community on the property. They would call this suburb of Las Vegas “Summerlin.”

Summerlin is also home to Faith Community Lutheran Church, the largest Lutheran congregation in Las Vegas, and this steadily growing church has no plans of slowing down.

“They have a great relationship with their community and are a very outward-thinking congregation,” said Tyler Fewins, LCEF vice president for the LCMS Pacific Southwest District.

In fact, Rev. Craig Michaelson’s first hire when he was called to Faith in 2007 was a director of missions.

“God calls us to be a mission outpost, and we are very intentional in that we want to be a blessing to the people in this community and be a people that are not just looking inside but looking outwards as well,” Michaelson said.

When Michaelson began 12 years ago at Faith, their preschool, K-5 academy and church shared the same campus. It became evident that they couldn’t grow without expanding to additional campuses.

“The Lord blessed us with the opportunity to go from one campus to two then to three campuses so that each area of our ministry could grow,” Michaelson said. He’s quick to point out that Faith has three campuses but one ministry with one mission.

As the schools, congregation and ministries started to grow, they continued to run out of space. “Since our first campus was built, LCEF has been our partner in growth,” said Michaelson. “And each new campus came about through loans from LCEF. To be honest, without LCEF we would not have been able to do what we have done in ministry.”

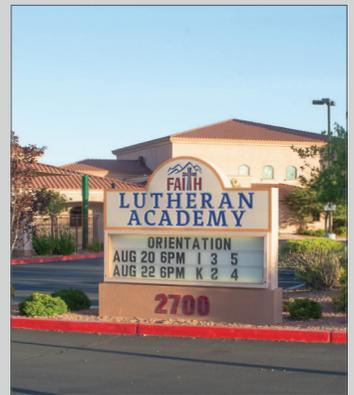
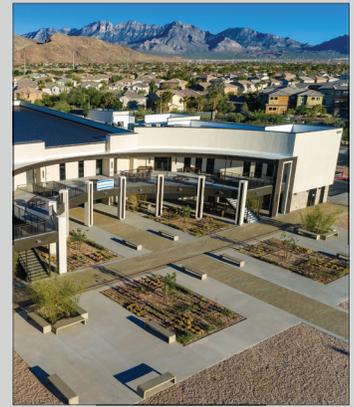
“Our preschool was able to double in size to 240 children,” Michaelson said. “Our academy was able to expand to three classes per grade to 430 students, and our church is now free to expand and offer ministry on its own campus seven days a week.”

The latest addition, finished in the summer of 2019, is phase one of their new church campus, which includes a multipurpose spiritual life center, church office complex, children’s ministry center, youth ministry center and adult ministry areas.

“With the completion of this phase of the new church campus,” Fewins said, “Faith is now a three-campus ministry. Within a mile of each site, the congregation has a preschool campus; academy campus; and now their church campus.”

The church campus is something to behold. It’s a two-story, semi-circle building. The sanctuary can seat 500 people, and when the adjacent meeting rooms are all open, that number jumps to 700. This is phase one. Phase two will enclose the site as a full circle. That part of the project will involve LCEF as well.

“We had a wonderful experience,” Michaelson said. “LCEF made the process simple and walked with us each step of the way.”



Images of Faith Community Lutheran Church and Academy, Las Vegas, Nev.

CLARIFYING THE MISSION TO LIVE, SERVE AND GIVE

A large, suburban church. Numerous ministry opportunities. A self-proclaimed 'Type A' pastor shepherding a congregation full of 'Type A' leaders. It's a recipe for a full, busy Christian life of serving the community and sharing the Gospel.

Having so many opportunities and willing servant-leaders can also be difficult. How do you decide on a clear path forward?

"I popped into the pastor's office one visit and told him about our Ministry Clarity process," shared vice president of LCEF Ministry Support, Tom Eggebrecht. "They had been floundering a bit with so many opportunities and resources and needed to streamline and refine it moving forward. We had an agreement signed within the next two weeks!"

"The meeting with him was Holy Spirit driven," explained Rev. Lane Reuter, senior pastor at Our Savior. "We're on a growth trajectory here at Our Savior, and our church is blessed with strong, driven leaders. But Type A personalities need a Type A process to be challenged even more."

Reuter said that the church "had to be tremendously bold" in their approach and "not afraid to put timelines in place" to help meet their goals.

"You get used to how everything is and don't see things that need to be improved," he added. "We knew we wanted an outside, professional source, so we could look at things in a different way. We had pondered other consultants, but then [Eggebrecht] showed up. After talking with him, we knew that this is exactly what we wanted to do. This was the best way to go because we have a great relationship with LCEF."

Throughout the process, Our Savior was able to narrow down a solid three- to five-year plan that they could execute and track. The church decided to focus on expanding the reach of their early childhood academy, growing their outreach efforts to the homeless in Nashville and creating a satellite campus to accommodate a younger demographic.

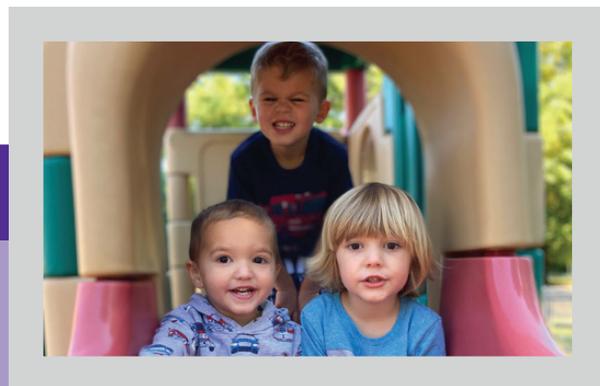
Then COVID-19 showed up.

"We're still trying to see what the future will hold, and none of us really know," said Reuter. "But we decided through prayer and God's Word to keep moving forward in great faith and joy. We are just going to keep trusting the Lord because the Gospel is what we especially need in these times."

The plan is fully underway now at Our Savior as they've called several new staff members and continue to put their plan into action.

"We work with churches to determine who God is calling them to be as a congregation and where is God calling them to go as a congregation," said Eggebrecht. "We helped Our Savior discover how to close that gap between where they are now and where God is calling them according to their own guiding statements."

"Going through this process has really changed the DNA of our congregation," mentioned Reuter. "This church is so blessed, and we want to use the blessings that God has given us."



Below: Volunteers at Our Savior during a work day.
Inset: Academy preschoolers enjoy the playground.

OUR MISSION

THAT YOUR MINISTRY THRIVES

To all the LCMS church workers out there, LCEF thanks you for your service to His people. We are proud of you and the entire LCMS family who work tirelessly to share the compassion of Christ, meeting the needs of those who are suffering, poor, sick or lonely.

Our mission has always been to ensure you have the resources available to fulfill your call for God's glory. That's why you can feel good partnering with LCEF. We share your Lutheran beliefs and your love of the church.

IT'S LUTHERANS HELPING OTHER LUTHERANS.



Lutheran Church Extension Fund

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DISCOVER HOW WE CAN HELP YOU.
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