



Lutheran Church Extension Fund

> where investments build ministry

February 22, 2021

Dear Partner in Christ,

It's good to know that in difficult times the Lord's work carries on, and His servants continue to reach out with the comfort of the Gospel while showing love and mercy to their neighbor.

All year, I've seen and heard countless tales of our church workers adapting to the unique circumstances they find themselves in.

The pandemic has undoubtedly changed a lot, but it has also brought out some of our best qualities.

Here at LCEF, we have adjusted and adapted on the fly, rapidly altering our practices to continue our work with most of our staff deployed and working remotely.

I'll dig into the details on that front in a few minutes, but let me start by providing you, our partners, with an update as LCEF has reached the mid-point of our fiscal year.

Financials

I'm happy to report that we are in a strong financial position on several fronts.

Our net income reflects how much we have after our expenses and debts are paid. It stands at \$15 million right now. That's above our annual goal of \$9.5 million.

We are above target on our operating income as well. It is a good sign that we are controlling expenses, costs and overhead. Our annual goal is \$5.1 million. Currently, we are at \$4.2 million.

Other markers of a healthy organization can be found in our capital-to-asset ratio—the money we have on hand for investment redemptions. The industry standard is eight percent. Our capital-to-asset ratio is above our target of 12%, currently 12.3%.

Liquidity also remains very strong at over 20%.

Investments

It goes without saying that the Lord has been nothing but generous to LCEF in this pandemic year. In October 2020, we crossed yet another significant milestone when we reached \$2 billion in total assets.

That was only possible because of the growing strength and trust of our investors. Our total deposits sit at \$1.8 billion. Over \$1 billion of that comes from individual investors alone, with congregational and organizational investments bringing in the remaining dollars.

That's truly amazing and a clear testament of your commitment to the church's work. Thank you.

Loans

Investor deposits allow us to fund and support LCMS individuals and ministries through low-cost loans. I'm glad to say the loan goal is on target, with \$76.5 million in new loans this fiscal year. Our total loan portfolio stands at \$1.6 billion.

As you can guess, there were some bumps in the road last year. We knew there would be because of lockdowns that limited in-person gatherings. So, we proactively reached out to our borrowers, listening to their concerns about the challenges they would face in the months ahead.

In response to those conversations, we formed a COVID Response Team. This team was given broad authority to provide individualized remedies as necessary. These solutions for borrowers included full payment deferrals, interest-only payments, emergency loans and lines of credit.

As of December 31, 2020, LCEF's COVID Response Team led the efforts to defer almost \$6.9 million in principal and interest to 265 loans. This provides relief to congregations and other ministries impacted by the pandemic. Doing this allows our borrowers an opportunity to stabilize their income and not fall into a financial hole and, most importantly, keep their eyes fixed on their mission. Our heart is for our borrowers, and we are dedicated to whatever it takes to help them flourish.

This includes helping borrowers with impaired loans make adjustments and keep their doors open. Impaired loans stand at 9%. This is higher than we would like, but LCEF can easily absorb this small burden while we do whatever we need to help these churches get back on their feet. Honestly, this is what we do and what makes us different than any other lender. We are willing and insist on walking that road to recovery so that our churches thrive.

Ministry Solutions

Our Ministry Solutions continue to adapt and adjust to challenging times. The team is offering advice and help in numerous ways to ensure that we are taking care of our church workers to the best of our abilities.

One such example is the Ministry Moments videos, which are weekly advice from our vice presidents of Ministry Solutions.

Speaking of taking care of our church, for decades, the faithful work of Laborers For Christ has blessed the church. We thank God for all they have accomplished. And though we are winding down their operation, we remember and celebrate the men and women who used their gifts and abilities to expand the footprint of the church.

You can read more about this wonderful organization and the impact that it has had for the past four decades in the next issue of our official publication *Interest Time*.

Interest Time

Speaking of *Interest time*, we're excited to share our publication received two awards in 2020 from the Evangelical Press Association. Earlier in 2020, it received an Award of Merit in the Christian Ministry category and more recently was awarded second place in the 2020 Best in Class competition.

Keep your eye out for another special issue in the next month or two—and if you don't receive it yet, you can subscribe at InterestTime.org to get it free in print or digital.

Real Estate Solutions

In keeping with the church's ever-changing needs, we have been keeping our eye on our congregations and organizations' real estate needs. As much as LCEF is about lending, we are also about real estate.

A growing number of churches and organizations have real estate needs and opportunities that often slip away. Or these opportunities turn out badly because they don't have the necessary expertise to navigate the complexity.

For example, we've seen a growing number of cases where a developer approaches a church, hoping to develop their excess land. Valuation is critical, as is the structure of an opportunity that might include revenue sharing. Expert advice and guidance allow for good stewardship of the resources the Lord has provided to support the mission.

In response to these opportunities, LCEF has formed Real Estate Solutions. This team is joining forces with Foundry Commercial, not only a leader in their industry but a fantastic organization we've been working with for over 15 years. Foundry manages our office building and several other properties. They've also helped numerous LCMS districts with their property needs.

We are ready to take your questions right now. Please give us a call if you plan to buy, sell, build, monetize excess land, sponsor a church plant or repair extensive deferred maintenance. We'll get you connected and on your way.

Employee Goals

Another change we've made this year deals with our employee goals. This year, we are making a real effort to improve the alignment from the highest-level corporate goals down to individual employee goals.

It starts with our Annual Ministry and Business Plan. The Plan is our strategic document where we set forth the corporate goals. The individual, department and cross-functional goals cascade from and feed back into the corporate goals. This approach allows everyone to see how they play a part in our collective work, holding each of us accountable for our corporate goals.

We track and record individual goals to see how we are doing every quarter. This ties our incentive compensation program seamlessly to our corporate goals, so we are all rowing in the same direction for the same purpose.

If you would like to see a copy of the annual Ministry and Business Plan, visit lcef.org.

Opportunities

Let me close with this: LCEF will consider new opportunities to serve the church in the future. As opportunities change, so must LCEF and the solutions we provide. We will honor the past and build the future, always growing ministry opportunities.

Even with vaccines coming, LCEF knows that unique and personalized solutions will be needed this year. No matter the need or opportunity, we are here for you and the church. We are here for such a time as this.

In Christ,

A handwritten signature in blue ink that reads "Bart Day". The signature is stylized, with the first name "Bart" written in a cursive-like font and the last name "Day" written in a more formal, slightly cursive font. The signature is positioned above the typed name and title.

Rev. Bart Day
President and CEO
Lutheran Church Extension Fund