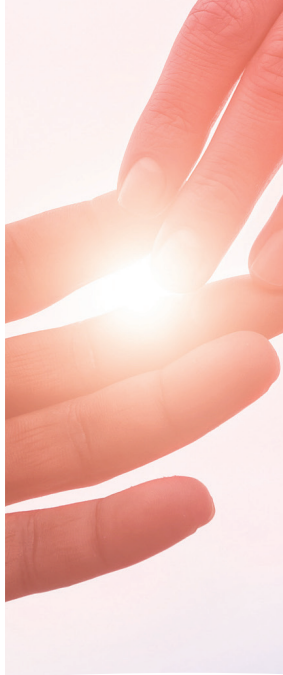


PARTNERS IN MISSION



Annual Report &
Offering Circular



Church Extension Fund



GREETINGS FROM CHURCH EXTENSION FUND!

Since its founding, CEF has been a trusted mission partner in the Michigan District. As a non-profit ministry, we provide investment opportunities to individuals and congregations, using those funds to support Kingdom work through loans, grants, and services. But our mission only works if our churches and their members are true partners. When you invest with CEF, borrow for a ministry project, or take advantage of our services, you are an active participant in this mission. Together, we are expanding ministry, caring for our church workers, and ensuring that facilities and resources are in place to serve future generations.

At CEF, your investments don't just earn a great rate of return – they build congregations, schools, and other ministries while supporting church workers across the Michigan District. This past year, your partnership helped us welcome new ministry workers to Michigan through our **MI-Home Welcome Rate**, which provided a below-market mortgage interest rate to those new to the district. Your investments also helped fund large-scale building projects and strengthen relationships with those we serve. Know that your partnership with CEF creates a lasting impact.

This year's Annual Report theme is “**Partners in Mission**”. In the pages ahead, you'll learn what it means to be a CEF Partner and read the story of a congregation that has worked hand-in-hand with CEF to further the Holy Spirit's work in their community. You'll see how these partnerships make an eternal impact – on local communities, on church workers, and on those served by the ministry.

As you read, we encourage you to reflect on your partnership with CEF. How has this partnership strengthened your ministry? How has God used these relationships to build His Kingdom? We'd love to hear your story!

One thing remains certain – **your partnership with CEF matters!** Whether through your investments, loans, or the resources we provide, we are deeply grateful for the trust you place in CEF. We look forward to growing this mission with you and strengthening our partnership in the years to come.

A handwritten signature in black ink that reads "James R. Saalfeld". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James R. Saalfeld, CEO



How to Partner with CEF

The job of a ministry is never finished. Until the Lord returns, we continue our efforts to seek and save the lost. The ministries of the Michigan District all operate in different ways to disciple those who already know Jesus, and to reach those in their communities who don't. Lutheran churches and ministries in Michigan have a long history of an evangelistic spirit, dating back to the Franconian settlers in the 1840s. With that as a part of our DNA, we confidently go out and seek to fulfill the Great Commission.

CEF isn't just about taking investments and making loans. We are also about building relationships and forging partnerships with Michigan Lutherans. Knowing that, how can someone partner with Church Extension Fund to help Build the Kingdom here in Michigan? There are many ways!

First and foremost, congregations and their members partner with CEF by **investing** their funds. When individuals and ministries invest with CEF, they receive great interest rates while also knowing that their dollars are actively working to strengthen Lutheran churches and schools. Those invested funds are used to provide affordable loans to ministries so they can better serve their communities.

Churches and ministries also partner with CEF by **borrowing**. Whether it's constructing a new sanctuary, renovating a Lutheran school, or making necessary or routine repairs, CEF provides financing solutions tailored for ministries. These loans aren't just financial transactions; they're part of a greater mission. A strong, well-maintained church or school provides a welcoming place for worship, learning, and outreach –strengthening the ministry that happens within its walls and out in the mission field.

Beyond investments and loans, CEF extends its partnerships through its **grants program** and **congregational services** that further support congregations and schools. These programs are designed to use the blessings God has bestowed upon CEF in the last 124 years to bless the ministries that actively engage with CEF today.

Another important way to be a partner is to ensure your congregation has an **active and involved CEF Representative**. These volunteer representatives help

share CEF's mission, ensuring that their church community understands the many ways to engage with CEF's services. Having a Rep in your congregation strengthens the connection between your ministry and CEF, opening doors to greater collaboration and support. Contact our Director of Relations Rodney Barodte at 586-337-5070 to learn more about the CEF Rep program or to volunteer to represent your church!

Just as you give tithes and offerings to your church because you believe in its mission and the impact it has on the Kingdom of God, so too can you partner with CEF. You trust your congregation to use your gifts wisely for the sake of the Gospel, and that same trust

can be placed in CEF to be a good steward of your invested funds. By investing with us, you're not only securing a strong financial future for yourself – you're ensuring that ministries across Michigan have the resources they need to grow and thrive.

If your church isn't yet fully engaged with CEF, we invite you to join us in our mission work! Just as a congregation flourishes when its members are fully invested in its mission, CEF flourishes when we join together in partnership. When we are partners in mission, we all grow stronger, and the Kingdom of God expands.



Linda Winter, CEF Rep to St. John Lutheran Church & School, Rochester, MI

St. John - Rochester

PARTNERS IN MISSION

An old adage is that good things come to those who wait, and St. John Lutheran Church and School in Rochester is a shining example. In August 2024, they opened the academic year with a brand-new addition to its school – a project years in the making. But this wasn't just a construction effort. It was a testament to faith, perseverance, and partnership – one that wouldn't have been possible without the commitment of St. John's leadership, its congregation, and its longstanding relationship with Church Extension Fund.

A JOURNEY OF FAITH AND DETERMINATION

The plans for this expansion began more than five years ago when St. John recognized an urgent need for additional classroom space. They had outgrown the building, and with classrooms overflowing, portable units were added behind the school. While this provided a temporary fix, leadership knew it wasn't a long-term solution.

To prepare for future expansion, St. John started laying the groundwork early. They made site improvements, installed new heating and cooling systems, and repaved parking lots. But just as they were ready to move forward with the next phase, the unexpected happened – COVID-19.

Rather than rushing ahead, leadership wisely paused to evaluate how the pandemic would impact their congregation. Instead of seeing decline, they witnessed something incredible – congregational giving remained strong, and school enrollment surged. With families seeking faith-based education, St. John found itself with a growing waitlist and it became clear that the expansion had to move forward.



Pastor Marc Schwichtenberg

PARTNERS THROUGH EVERY SEASON

With their “All 2 Jesus” capital campaign underway, St. John reached out to CEF to explore options for expanding their existing loan. They also faced a pressing deadline – the city of Rochester required all portable classrooms to be removed before the beginning of the 2024 school year.

CEF was ready to come alongside as their loan partner. With additional financing in place, construction began in earnest. Thanks to careful planning, strong congregational support, and CEF's ability to provide timely funding, the expansion was completed on time and on budget.

Reflecting on the process, Pastor Marc Schwichtenberg shared, “Working with CEF was such a blessing. Knowing our partners stood behind us through all of our ups and downs over the last five years showed us how much they care about the ministry of St. John.”

THE IMPACT OF TRUE PARTNERSHIP

Because St. John and its members actively invest in CEF, they didn't just receive a loan - they received financial support from CEF, too. Their deep commitment to investing with CEF led to an Investment Rebate check of nearly \$30,000 in early 2024.

St. John is a perfect example of how partnership with CEF works best – a relationship that is mutually beneficial, mission-driven, and centered on Christ.



Dedication ceremony





Before - September 2019



After - August 2024



Before - September 2019



After - August 2024

A MULTIFACETED PARTNERSHIP

St. John has always been more than just a customer; they are an active Partner in Mission with CEF in every possible way.

- **Investing for the Future** – St. John's congregation and its members invest significant dollars with CEF, knowing their funds earn a great return while also funding ministry across the Michigan District. In addition, their Endowment Fund commits the first 15% of its assets to CEF investments, reinforcing their belief in mission-driven stewardship.
- **Financing for Growth** – As St. John outgrew its space, they turned to CEF for a major loan to complete their school expansion. This funding allowed them to eliminate portable classrooms and create a permanent, welcoming learning environment for their growing student body.
- **Caring for Church Workers** – Understanding the importance of supporting those who serve, St. John offers CEF's housing loan program to its staff, making it easier for teachers and church workers to live in the community they serve.
- **Strengthening Congregational Involvement** – St. John has three dedicated CEF Reps, Linda, Sandy, and Pam. These servants play a key role in keeping their congregation informed about CEF's many offerings and opportunities. Their efforts help ensure that members see the impact of their investments firsthand.

- **Leveraging CEF's Services** – Over the years, St. John has made use of CEF's technology grants to enhance their ministry operations. Additionally, its members have utilized CEF's gift planning services to assist them in making charitable contributions to St. John and other ministries - like CEF - when they are called to their Heavenly home.

Through each of these avenues, St. John has demonstrated what it means to be fully engaged in a ministry partnership. Their commitment to investing, borrowing, utilizing CEF grants and services, and engaging their congregation demonstrates what it truly means to be Partners in Mission.

JOIN THE MISSION

If your congregation doesn't have the same resources that St. John has, that's okay! You can still partner with CEF in all the ways listed above. Take St. Luke, Nunica, for example. A rural congregation of about 100 members situated between Grand Rapids and Muskegon, St. Luke is borrowing from CEF to do building and parking lot repairs. The church and its members invest a significant amount with CEF, have two active CEF Reps, and have used CEF grants to improve their technology and the wellness of their church workers.

No matter the size of your congregation, the age of your building, or if you are in the process of calling a pastor, all congregations can find a way to be a Partner in Mission with CEF!

2024 Key Metrics

As they have done for generations, our investors made it possible for CEF to provide financial resources to Lutheran ministries across the state.

TOTAL ASSETS

\$259,184,458

TOTAL LOANS

\$163,438,668

TOTAL INVESTMENTS

\$199,173,736

NEW LOANS DISBURSED

\$20,021,990

NEW INVESTMENTS

\$35,958,712

HOUSING LOANS DISBURSED

\$5,035,382

NET INCOME

\$2,496,063

NEW LOANS

65

NET ASSETS (EQUITY)

\$59,604,479

CAPITAL RATIO

23.00%





Church Extension Fund

Michigan District of the Lutheran Church-Missouri Synod

3773 Geddes Road, Ann Arbor, Michigan 48105-3098

Toll-Free: 800-242-3944; Local Telephone: 734-665-3791; Interest Rate Line: 800-232-7313

www.mi-cef.org

OFFERING CIRCULAR

The date of this Offering Circular is May 1, 2025

(Intended to be used by investors from May 1, 2025 until April 30, 2026)

Seventy-Five Million (\$75,000,000) of unsecured investment obligations of varying interest rates. The aggregate amount of the securities being offered may be sold in any one of the following categories:

ALL INVESTORS

Fixed Rate Notes

<u>Term</u>	<u>Minimum Investment</u>
3 Months (up to 6 Months).....	\$500
6 Months (up to 12 Months).....	\$500
12 Months (up to 24 Months).....	\$500
24 Months (up to 60 Months).....	\$500
60 Months.....	\$500
60 Months (Jumbo).....	\$100,000

Fixed Rate 2+2 Notes

<u>Term</u>	<u>Minimum Investment</u>
17 Months.....	\$2,500

Variable Rate Notes

<u>Term</u>	<u>Minimum Investment</u>
1 Year	\$500
2 1/2 Year	\$500
5 Year	\$500

Demand Savings Certificates

Minimum Investment\$5.00

ExtensionPlus Account Certificates

A demand certificate accessible with check writing privileges and an optional debit/ATM card.

Minimum investment\$100

Savings Stamps

Cost\$1.00, \$5.00 & \$10.00

Estimated Maximum Amount.....\$100,000

CONGREGATIONS AND ORGANIZATIONS

Fixed Rate Notes

<u>Term</u>	<u>Minimum Investment</u>
1, 2 or 5 Year	\$500

Variable Rate Notes

<u>Term</u>	<u>Minimum Investment</u>
1, 2 or 5 Year	\$500

Demand Savings Certificates

Minimum Investment\$500

Interest rates and other details of all Notes and Certificates are found on pages 18 - 21.

**THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED HEREIN.
CEF INVESTMENTS ARE NOT SIPC OR FDIC INSURED DEPOSIT ACCOUNTS.**

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY.

THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE MICHIGAN DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE LUTHERAN CHURCH-MISSOURI SYNOD.

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

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH CEF'S WRITTEN CONSENT AND AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

PLEASE NOTE THESE ADDITIONAL STATE-SPECIFIC DISCLOSURES:

MICHIGAN RESIDENTS

A REGISTRATION STATEMENT, OR A CLAIM OF EXEMPTION FROM REGISTRATION, RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE DEPARTMENT OF LICENSING & REGULATORY AFFAIRS (LARA), CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU (CSCL), SECURITIES DIVISION. NEITHER THE CSCL NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FLORIDA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER CHAPTER 517.051(9), FLORIDA STATUTES. CEF IS REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE AS AN ISSUER/DEALER. OFFERS AND SALES OF THESE SECURITIES WILL BE MADE ONLY THROUGH REPRESENTATIVES OF CEF REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE AS ASSOCIATED PERSONS OF CEF.

INDIANA RESIDENTS

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

KENTUCKY RESIDENTS

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

MISSOURI RESIDENTS

THE MISSOURI SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE MISSOURI SECURITIES ACT UNDER THE EXEMPTION PROVIDED BY SECTION 409.2-201(7)(B) OF THE REVISED STATUTES OF MISSOURI. NO APPROVAL HAS BEEN GIVEN TO THE ISSUER, THESE SECURITIES, OR THE OFFER OR SALE THEREOF IN CONNECTION TO ANY MISSOURI RESIDENTS.

OHIO RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED AS AN INVESTMENT FOR ANY OHIO RESIDENT BY THE OHIO DIVISION OF SECURITIES, NOR HAS THE DIVISION PASSED UPON THE ACCURACY OF THE OFFERING CIRCULAR. ALL INVESTORS RECEIVE PERIODIC STATEMENTS AND OTHER PIECES OF MAIL SENT BY CEF PERTAINING TO A NOTE. WHEN MAIL IS RETURNED AS "UNDELIVERABLE" TWICE, THE NOTE STATUS IS CHANGED FROM ACTIVE TO DORMANT, AND CEF IS REQUIRED TO TURN OVER DORMANT INVESTMENTS AFTER A SPECIFIED PERIOD OF TIME TO THE APPLICABLE STATE AGENCY, BOTH AS SPECIFIED IN OHIO REVISED CODE, CHAPTER 169.

SOUTH CAROLINA RESIDENTS

NOTES AND CERTIFICATES WHICH HAVE NO FIXED MATURITY AND ARE PAYABLE ON DEMAND ARE NOT AVAILABLE TO, AND ARE NOT BEING OFFERED AND WILL NOT BE ISSUED TO, RESIDENTS OF SOUTH CAROLINA. ONLY NOTES AND CERTIFICATES WITH A FIXED MATURITY WILL BE OFFERED AND SOLD TO SOUTH CAROLINA RESIDENTS.

WASHINGTON RESIDENTS

THE OFFER AND SALE OF THE CERTIFICATES IN WASHINGTON IS LIMITED TO THOSE PERSONS WHO PRESENTLY HOLD INVESTMENT SECURITIES ISSUED BY CEF.

FORWARD LOOKING STATEMENTS

INVESTMENT IN THE SECURITIES TO BE ISSUED BY CEF INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS ARE ENCOURAGED TO REVIEW ALL THE MATERIALS CONTAINED IN THIS OFFERING CIRCULAR AND TO CONSULT THEIR OWN ATTORNEYS AND FINANCIAL ADVISORS. THIS OFFERING CIRCULAR INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE FEDERAL AND STATE SECURITIES LAWS. STATEMENTS ABOUT CEF AND ITS EXPECTED FINANCIAL POSITION, BUSINESS AND FINANCING PLANS ARE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY, AMONG OTHER THINGS, THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "BELIEVES," "EXPECTS," "MAY," "WILL," "SHOULD," "SEEKS," "PRO FORMA," "ANTICIPATES," "INTENDS," "PROJECTS," OR OTHER VARIATIONS OR COMPARABLE TERMINOLOGY, OR BY DISCUSSIONS OF STRATEGY OR INTENTIONS.

ALTHOUGH CEF BELIEVES THAT THE EXPECTATIONS REFLECTED IN ITS FORWARD-LOOKING STATEMENTS ARE REASONABLE, CEF CANNOT ASSURE ANY INVESTOR THAT CEF'S EXPECTATIONS WILL PROVE TO BE CORRECT. FORWARD-LOOKING STATEMENTS ARE NECESSARILY DEPENDENT UPON ASSUMPTIONS, ESTIMATES AND DATA THAT MAY BE INCORRECT OR IMPRECISE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD NOT CONSIDER CEF'S FORWARD-LOOKING STATEMENTS AS PREDICTIONS OF FUTURE EVENTS OR CIRCUMSTANCES. A NUMBER OF FACTORS COULD CAUSE CEF'S ACTUAL RESULTS, PERFORMANCE, ACHIEVEMENTS OR INDUSTRY RESULTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY CEF'S FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: CHANGES IN ECONOMIC CONDITIONS IN GENERAL AND IN CEF'S BUSINESS; CHANGES IN PREVAILING INTEREST RATES AND THE AVAILABILITY OF AND TERMS OF FINANCING TO FUND CEF'S BUSINESS; CHANGES IN CEF'S CAPITAL EXPENDITURE PLANS; AND OTHER FACTORS DISCUSSED IN THIS OFFERING CIRCULAR. GIVEN THESE UNCERTAINTIES, PROSPECTIVE INVESTORS SHOULD NOT RELY ON CEF'S FORWARD-LOOKING STATEMENTS IN MAKING AN INVESTMENT DECISION. CEF DISCLAIMS ANY OBLIGATION TO UPDATE INVESTORS ON ANY FACTORS THAT MAY AFFECT THE LIKELIHOOD OF REALIZATION OF CEF'S EXPECTATIONS. ALL WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO CEF, INCLUDING STATEMENTS BEFORE AND AFTER THE DATE OF THIS OFFERING CIRCULAR, ARE DEEMED TO BE SUPPLEMENTS TO THIS OFFERING CIRCULAR AND ARE INCORPORATED HEREIN AND ARE EXPRESSLY QUALIFIED BY THESE CAUTIONARY STATEMENTS.

ALTHOUGH CEF BELIEVES THAT THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, PROSPECTIVE INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE MADE. PROSPECTIVE INVESTORS SHOULD UNDERSTAND THAT THE FACTORS DISCUSSED UNDER “**RISK FACTORS**” COULD AFFECT CEF’S FUTURE RESULTS AND PERFORMANCE. THIS COULD CAUSE THOSE RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS.

LIMITED CLASS OF INVESTORS

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

THERE WILL BE NO COMMISSIONS OR DISCOUNTS PAID IN CONNECTION WITH THIS ANTICIPATED OFFERING OF \$75,000,000. CEF WILL RECEIVE 100% OF THE PROCEEDS FROM THE SALE(S) AND WILL BEAR ALL EXPENSES INCIDENT TO THIS OFFERING, INCLUDING SECURITIES REGISTRATION FEES, PRINTING, MAILINGS, ACCOUNTING FEES, AND ATTORNEY FEES, ESTIMATED TO BE LESS THAN \$50,000.

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

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DEFINITIONS

Certain terms, abbreviations or acronyms may be used throughout this Offering Circular and are defined as follows:

- “audited financial statements” means financial statements that have been audited and reported upon by an independent public accounting firm in accordance with auditing standards generally accepted in the United States of America.
- “Board” means the nine-member CEF Board of Trustees elected by the member congregations of the Michigan District.
- “CEF” means the issuer who is Church Extension Fund of the Michigan District of the Lutheran Church-Missouri Synod, a Michigan Church Trustee Corporation and non-profit entity. For clarity, CEF is an independent entity and not the same as, or a subsidiary of, the Michigan District or LCEF.
- “Change in Net Assets” means the change in net assets as reported in the Statements of Changes in Net Assets of CEF in conformity with GAAP which reflects the net increase or decrease in net assets of CEF.
- “district” is defined as a corporation established by the Synod to more effectively achieve its objectives and carry on its activities, usually within a defined geographic area.
- “District” or “Michigan District” specifically means the Michigan District of the Lutheran Church-Missouri Synod.
- “GAAP” means accounting principles generally accepted in the United States of America as established by the Financial Accounting Standards Board (FASB), under the FASB Accounting Standards Codification (ASC).
- “investor” means a person or entity who purchases Notes as outlined in the “Limited Class of Investors” on page 4.
- “issuer” means CEF which issues or proposes to issue Notes.
- “loan delinquencies” means borrower loan balances on which payments of principal or interest are delinquent ninety (90) days or more, whether in default or not.
- “LCEF” is the Lutheran Church Extension Fund, a separate extension fund that serves the LCMS on a national level, headquartered in St. Louis, Missouri.
- “LCMS” or “Synod” is the Lutheran Church-Missouri Synod and is the national religious denomination that functions through its affiliated corporations in support of its member congregations.
- “net assets” (as defined by GAAP) means the excess or deficiency of assets over liabilities, classified according to the existence or absence of donor-imposed restrictions.
- “Notes” or “Notes Payable” means notes, certificates, similar debt instruments or other evidences of indebtedness which may be certificated or issued in book-entry form by CEF and represent a general unsecured obligation to repay a specific principal amount at a stated or variable rate of interest when due. In the case of CEF, the Notes consist of the Notes and certificates described in the section of the Offering Circular entitled “Description of Notes (Investments).”
- “person” means an individual, a trust, a corporation, a limited liability company, a partnership, an association, organization, a government or a political subdivision of a government, or other legal entity.
- “RSO” is a Recognized Service Organization that is separately incorporated as a service organization (other than an Auxiliary Organization) formally recognized by the Synod that extends the mission and ministry of the Synod, but which is not part of the Synod’s constitutional structure. Each RSO establishes and develops its own objectives, activities and programs.
- “senior secured indebtedness” means any debt or debt securities incurred or issued by CEF and secured by assets of CEF in such a manner as to have a priority claim against any of the assets of CEF over and above the Notes. Such debt may include, but is not limited to, a mortgage loan incurred for the purchase of an advance church site or CEF’s headquarters building, and a secured operating line of credit with a commercial financial institution.
- “state” (when used as a noun and not a verb) means a state, commonwealth or similar jurisdiction in the United States.
- “Tax-Deferred Plan” means any Internal Revenue Service (“IRS”) approved arrangement by which the investor may lawfully defer or not pay federal income taxes on the earnings of an investment. Examples include IRAs and any other IRS-qualified savings plan that allows individual participants to select their own investment vehicle.

SUMMARY OF OFFERING

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

Operational Summary

1. CEF, with its principal office located at 3773 Geddes Road, Ann Arbor, MI 48105, is a Michigan Church Trustee Corporation. It was incorporated on June 18, 1901.
2. CEF is a non-profit corporation and is currently exempt from Federal income taxes under §501(c)(3) of the Internal Revenue Code.
3. CEF offers and sells Notes to investors in order to make funds available for loans that are primarily made to LCMS churches, schools and ministries located in the District.
4. Investors acknowledge receipt of an Offering Circular before deciding to invest or reinvest. The Offering Circular can be obtained at CEF's office, via CEF's website, via mail, or at local congregations of the Michigan District.
5. Notes offered through this Offering Circular bear either fixed or variable interest rates and have maturities ranging from ninety (90) days to five (5) years. Interest payable on such Notes is taxable to the investor (other than for IRAs or other Tax-Deferred Plans) in the year in which the interest is paid or credited to the investor's account. As more fully described in the "Description of Notes (Investments)" section on pages 18 - 21, upon the expiration of the Note's term, investors may extend any fixed or variable rate term Note for a new term at the then current interest rate.
6. Investments offered by CEF are unsecured and are not SIPC or FDIC insured deposit accounts. Investors will be dependent upon the general financial condition of CEF for repayment of principal and interest.
7. CEF provides loans as permitted in its Bylaws, including but not limited to congregations, schools, ministries and other organizations associated with the Michigan District, and to the Michigan District itself. Loans may be extended for purposes set forth in the Bylaws, including but not limited to loans for capital expansion, renovation, equipment purchases, operating support, housing and projects which contribute to the ministry of the Michigan District or its member congregations. A more complete presentation is contained in "Use of Proceeds" on pages 10 - 11.
8. As the loans CEF makes are to non-profit entities, the ability of each borrower to repay its loan will generally depend on the revenues the borrower generates including the contributions or donations it receives from its members and supporters. The number of members/supporters of each such organization and the per capita contribution/donation has fluctuated in the past and will continue to fluctuate going forward. The collateral value of the security provided for such loans generally consists of the properties owned and used by such borrowers in their ministry and may not have market values equal to the loan amounts.
9. CEF maintains investment portfolios where its funds are invested until they are disbursed for new loans, used to support CEF operations, or used to pay Notes Payable obligations. Assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline.
10. Notes of CEF should not be confused with those offered by other extension funds such as LCEF. Potential investors should consult the Offering Circular of CEF independent of any other extension fund. No other organization underwrites, or is financially involved in, the security offerings of CEF.
11. CEF established its Endowment Fund in 1992 to receive gifts and bequests that are used to promote the purposes of CEF. These are classified as 'board designated' on CEF's audited financial statements. On rare occasions, funds may be received for the benefit of a third party, the earnings from which are paid to the third party as designated by the donor and thus classified as 'funds held for others'.

Financial Summary

Selected financial data for the past five years, together with management's comments and analysis, are found on pages 16 - 17. For the most recent year ended December 31, 2024, the financial data is as follows:

Cash, Cash Equivalents,	
Certificates of Deposits and Investments	\$ 94,183,996
Loans Receivable	\$ 163,438,668
Unsecured Loans Receivable	\$ 802,839
% of Unsecured Loans Receivable	0.49%
Loan Delinquencies as a Percent of	
Loans Receivable	0.12%
Total Assets	\$ 259,184,458
Notes Payable	\$ 199,173,736
Amount of Notes Redeemed	
And Exchanged in 2024	\$ 49,205,927
Other Long Term Debt	\$ 0
Net Assets	\$ 59,604,479
Change in Net Assets	\$ 2,496,063

RISK FACTORS

A. Unsecured and Uninsured Investments

The Notes to be issued pursuant to this offering are unsecured obligations of CEF and are not tied to or secured by underlying loans with specific borrowers (e.g., a congregation). They are not SIPC or FDIC insured deposit accounts. The repayment of the principal and interest thereon is dependent solely upon the financial condition of the issuer.

B. No Sinking Fund or Trust Indenture

There is no sinking fund or trust indenture that has been or will be established to ensure or secure the repayment of the Notes.

C. Ranking and Priority

The Notes issued hereunder are not subordinated to any other securities issued by CEF. Notes do not hold senior status compared to other Notes. When Notes are issued, they have equal rank with Notes previously or subsequently issued. If CEF were to issue senior secured indebtedness in the future, the amount of any senior secured indebtedness to which the Notes are or will be subordinated shall not exceed ten percent (10%) of the tangible assets of CEF.

D. No Market

There is no public market for the Notes and there is no assurance that a market will develop. Consequently, investors are not able to resell any Notes purchased. However, the practice and policy of CEF has been to honor certain requests for early redemption as set forth below in the "Description of Notes (Investments)" section on pages 18 - 21.

E. No Guarantees to Repay

CEF has not experienced financial losses in its history that would have caused the operating expense to exceed the revenue and other operating income of CEF. Historically, CEF has been able to make payments of principal and interest on the Notes when due. However, no guarantee or representation is made regarding future financial conditions and ability to repay Notes.

F. Liquid Funds Reserves

A cash-and-liquid funds reserve of no less than ten percent (10%) of the total Notes outstanding is maintained in cash and readily marketable securities for the payment of interest and redemption of Notes. Assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline.

G. Tax Consequences

There are no income tax benefits with respect to investing in the Notes. Interest paid or payable on the Notes will be taxable as ordinary income to an investor, regardless of whether the interest is paid out or retained and compounded.

H. Loans Outstanding

CEF has most of its loan portfolio outstanding with congregations and ministries of the Michigan District that are concentrated within the geographic boundaries of the State of Michigan. The ability of each borrowing congregation or organization to repay its loan will generally depend upon the contributions or donations it receives from its members and supporters. The number of members of each congregation and the per capita contribution has fluctuated in the past and will continue to fluctuate going forward. To the extent that a congregation or organization experiences a decrease in revenues, payments on the loan may be adversely affected.

I. Loan Policy

CEF is a non-profit entity that was incorporated under the laws of the State of Michigan as a "Church Trustee Corporation". CEF was organized for the primary benefit of the member congregations of the Michigan District. The relationship of CEF with its borrowers cannot be compared to that of a commercial lender. In view of the ministry connection between CEF and its borrowers, CEF may be willing to accept partial, deferred or late payments. Loans and funds made available to member congregations may be at interest rates and terms not generally offered by traditional commercial lenders. Loans are primarily secured with church and school properties, and may have limited market value in the event of a forced sale or foreclosure.

J. Changes in Law

Changes in the Federal or State laws in states where CEF offers its Notes may make it more difficult or costly to offer and sell Notes in the future. CEF does not anticipate that the continued sale of its Notes will be necessary to service its Notes. However, a decrease in the sales of its Notes could affect the ability to meet such obligations if it did become necessary to rely on these sales.

K. Activities

CEF is maintained, supervised and administered by the CEF Board and the officers they appoint. Proceeds received by CEF from the sale of its Notes are used to make funds available for purposes allowed in its Bylaws, including loans used for capital expansion and ministry purposes. Loans are generally secured by a mortgage on the real property of the borrower. CEF also owns a limited amount of real estate which is currently used for ministry purposes or may be utilized in the future as sites for new and/or expanding congregations. From time to time, properties considered to be excess inventory or no longer suitable as congregational sites are disposed of by selling these properties. There are no other activities of CEF other than as described within this Offering Circular that should have a material financial impact on the operations of CEF.

L. Specific Transactions

There are risks involved in specific transactions or arrangements, such as loan securitizations or loan participations, undertaken or entered into. CEF has never been involved in any loan securitizations. However, CEF may (at some future date) securitize up to ten percent (10%) of its loan portfolio. Currently, CEF is engaged in loan participations that represent less than 20% of its loan portfolio.

M. Geographic Concentrations

There are risks related to geographic concentration of loans to affiliated churches or other related organizations within a limited region such that changes in economic conditions of that region could affect the ability of the churches or organizations, as a group, to repay the loans.

N. Low Rates and No Insurance

Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes. In addition, the Notes are not insured by any governmental agency or private insurance company.

O. Other Lenders and Investment Opportunities

The availability and cost of loans offered by banks, other entities, and other loan programs may affect overall loan demand. Any decrease in loan demand could adversely affect CEF's financial condition. Other investment opportunities may yield a higher rate of return with less risk than the Notes. This may adversely affect sales of the Notes which, in turn, could adversely affect CEF's financial condition.

P. Environmental Risks on Collateral

There is potential environmental liability associated with the collateral securing CEF's loans. While CEF generally considers environmental concerns before approving a loan, CEF does not typically require a Phase I Environmental Site Assessment unless there is evidence of a potential problem. In the event that environmental pollution or other contamination is found on or near property securing a loan, CEF could face environmental liability or the security for the loan could be impaired. In addition, changes to environmental regulations could require a borrower to incur significant unanticipated expenses to comply with such regulations which could adversely affect the borrower's ability to repay a loan.

Q. Market Risk

Funds received from investors may be invested in readily marketable securities until they are used for the purposes outlined in "Use of Proceeds" as presented on pages 10 - 11 of this Offering Circular. The value of such securities is based on quoted market prices which fluctuate regularly. Such securities are subject to various market risks (e.g., changes in market conditions, changes in interest rates, changes in the market's view of the securities in CEF's portfolio, etc.). A drop in the market value of such securities could have a material adverse impact upon CEF's liquidity, which could affect its ability to repay the Notes. While CEF attempts to reduce this risk by engaging an asset consultant and diversifying its portfolio of securities, such efforts cannot eliminate all risk of loss due to drops in market value.

R. Cyber Threats

Cyber threats are rapidly evolving and CEF may not be able to anticipate or prevent all such threats. CEF's computer systems, network infrastructure and website/mobile applications are not immune to cyber-attacks including hacking, identity theft, malware and other fraudulent, illegal or improper activities perpetrated by third parties. While CEF undertakes efforts to reduce this risk by implementing various computer system safeguards, engaging outside vendors, and purchasing cyber insurance coverage, CEF cannot anticipate all security breaches or ensure that such perpetrators do not gain access to its systems or circumvent its security. A successful breach or circumvention could cause material negative consequences including disruption to CEF's operations, damage to hardware and software systems, misappropriation of confidential or proprietary information, and theft of funds, personal information or identity. A successful breach or circumvention could also impact CEF's ability to carry out its operations which, in turn, could adversely affect CEF's financial condition and have a materially adverse effect upon CEF's liquidity and ability to repay the Notes.

S. Third-Party Vendors.

CEF's operations are dependent upon technology and services provided by third-party vendors. In addition to the cyber threats to both CEF and its third-party vendors noted above, if these third-party vendors were unable to provide the contracted services, CEF's ability to carry out its operations could be impacted which, in turn, could adversely affect CEF's financial condition.

T. LCMS

Because CEF primarily serves entities and individuals affiliated with the LCMS, decisions made by the LCMS could impact the entities that generally borrow from CEF, the investors who generally purchase CEF Notes, and CEF. In addition, the LCMS has experienced a general decline in membership for several years. Accordingly, the decisions and status of the LCMS could impact CEF's operations which, in turn, could adversely affect CEF's financial condition.

HISTORY AND OPERATIONS

CEF was organized in 1901 for the primary purpose of serving the congregations and entities of the Michigan District. The Michigan District is comprised of Lutheran congregations banded together to perform functions which they, alone, could not perform. The latest statistics available demonstrate that there are 351 congregations with membership of 149,654 baptized members served by 357 parish pastors. The Michigan District's executive offices are located at 3773 Geddes Road, Ann Arbor, Michigan 48105-3098.

The Michigan District is the largest of 35 districts of the LCMS, the national association of Lutheran congregations whose membership, according to the latest available statistics, numbered 1,674,315 baptized members in 5,841 congregations served by 5,021 parish pastors.

CEF is a separate entity from the Michigan District. CEF's Board is elected by the member congregations of the Michigan District. CEF investments are not secured by a pledge or mortgage of specific assets, and there is no sinking fund for repayment. CEF investments are not SIPC or FDIC insured deposit accounts. There is no secondary market for the Notes offered. Repayment of the Notes is only available from the issuer. In the 124-year history of its existence, CEF has met all withdrawal requests that have been put to CEF by investors.

CEF anticipates that it will not issue more than \$75,000,000 in investment instruments during the next 12-month period. Offers and sales will occur primarily to residents in the State of Michigan, but may also occur in other selected states including (i) states wherein CEF has registered with the state or no registration is required, or (ii) states wherein an existing investor has moved and desires to continue investing or re-investing with CEF.

CEF was incorporated in 1901 as a Church Trustee Corporation under the laws of the State of Michigan. CEF is a non-profit corporation and is currently exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

The principal business office of CEF is located at 3773 Geddes Road, Ann Arbor, Michigan 48105-3098. The local telephone number is 734-665-3791, and the toll-free number is 800-242-3944. CEF's website address is www.mi-cef.org.

USE OF PROCEEDS

The primary purpose of CEF is to sell/issue Notes and administer a fund that is used to provide low-cost loans to congregations, schools and ministries. Proceeds from the issuance of Notes are used, together with other funds, for loans, grants and other funding permitted by CEF's Bylaws and lending policies. Recipients primarily include (i) member congregations of the Michigan District, (ii) the Michigan District itself, (iii) LCMS schools and colleges, (iv) entities and associations qualifying as Michigan District or LCMS RSOs and (v) other ministries associated with or supported by the Michigan District or its members. Loans are used for capital expansion and ministry purposes including acquiring property, erecting buildings, remodeling facilities, purchasing equipment, refinancing existing debt, and supporting operations or projects. Mortgage loans are also provided to congregations, schools, RSOs and the Michigan District to enable them to provide housing for their workers. Proceeds from the issuance of Notes may also be invested in CEF's investment portfolio until utilized for CEF's loan programs. Such invested funds are not earmarked for any particular loan or program.

CEF may also purchase or participate in loans. For example, CEF may assist another extension fund by participating in a loan they originate. These loans typically exist outside of Michigan. Per CEF policy, total loans purchased or participated in shall not limit or jeopardize the funds needed to support loan demand within the Michigan District.

In addition to making loans for the purchase of sites and the construction or renovation of facilities, CEF occasionally acquires real property that currently is used, or in the future may be used, by congregations of the Michigan District. CEF attempts to acquire future sites in areas where it is likely congregations may be formed, and/or where it is anticipated that there will be growth in the LCMS population. However, there is no guaranty that this real estate will lead to the formation of a congregation, in which case the site is sold. Proceeds from the sale of real property may be used to acquire more sites or used for funding other activities of CEF. CEF occasionally leases real property it owns to congregations with the anticipation that the congregation ultimately purchases the property. As of December 31, 2024, CEF held ownership in five parcels of real estate located in various places within Michigan. Properties are held at the cost of acquisition or fair value, whichever is less. It is current policy to obtain a market valuation for each property every five years. The carrying value of all five properties as of December 31, 2024 was \$2,216,725 or 0.86% of Total Assets.

CEF also operates a Grants Program which is used, at its discretion, to help foster and promote ministry in the Michigan District. Most grants are awarded as part of an institutional grant program that makes grant funds available to all congregations and ministries of the Michigan District. For example, previous institutional grants provided funds for technology, aesthetics, security and worker wellness. Other grants may be awarded based on unique need. By policy, emphasis is placed on supporting projects that encourage community outreach, promote innovation or best practices, and/or demonstrate a financial need because funds are not otherwise available. CEF uses both its General and Endowment Funds to award grants. No grants are tied to investing with CEF. In 2024, CEF awarded \$404,990 in grants to the Michigan District and more than 100 congregations and ministries.

CEF also offers an Investment Rebate Program. This program provides an eligible borrowing congregation or ministry with an annual cash rebate of a portion of the borrower's principal loan balance with CEF. The rebate amount is based on the amount invested by the entity and its members with CEF. If 50% of the authorized loan amount is supported by investments with CEF, the congregation or ministry will receive an annual rebate of 1/2% of the loan balance. If 75% of the authorized loan amount is supported by investments with CEF, the entity will receive an annual rebate of 3/4% of the loan balance. Finally, if 100% of the authorized loan amount is supported by investments with CEF, the entity will receive an annual rebate of 1.0% of the loan balance. Since the program began in 2019, rebate payments totaled \$805,163. In 2024, rebate payments totaled \$267,897.

FINANCING AND OPERATIONAL ACTIVITIES

Outstanding Notes Payable

CEF's primary means of generating funds for its activities is through the sale of its Notes. The following chart sets forth the types of Notes and debt obligations that have been sold and incurred as of December 31, 2024:

Fixed Rate Notes	\$113,084,893
Variable Rate Notes	26,702,396
Demand Savings Certificates	7,252,791
ExtensionPlus Account Certificates	33,040,661
IRA & Coverdell Notes	18,885,455
IRA & Coverdell Demand Savings Certificates	127,736
Savings Stamps	<u>79,804</u>
Total	<u>\$199,173,736</u>

Maturities - Notes Payable

The following chart states the maturities of Notes Payable. CEF believes that it will be able to pay these redemptions from repayments of loan principal and interest expected to be received for the same periods:

Year	Maturities
Demand	\$ 40,537,067
2025	71,755,062
2026	51,915,474
2027	13,839,222
2028	13,564,248
2029	7,560,693
2030-2034	<u>1,970</u>
Total	<u>\$199,173,736</u>

Receipts and Redemptions

The chart below is a comparative Investment and Redemption report of activity for the years ended December 31, 2024 and 2023. "Exchanges" denotes the circumstance where an investor does not wish to withdraw their funds upon the maturity of a Note that is no longer offered under the current Offering Circular, or when the investor wishes to change the type of a matured Note. For example, an investor holding a matured Fixed Rate Note might wish to "exchange" the matured Note by reinvesting in a Variable Rate Note or reinvest the matured Note for a different maturity. "Interest Added" denotes the circumstance where (i) a Note is rolled over upon maturity, and the interest earned on the matured Note is added to the principal of the renewed Note, or (ii) interest is being compounded and added to a Note which has not yet reached maturity. "Redemptions" denote the termination of a Note without reinvestment.

	2024	2023
New Investments	\$ 30,840,158	\$ 34,797,797
Exchanges	13,415,033	19,876,789
Interest Added	<u>5,118,553</u>	<u>4,120,412</u>
	\$ 49,373,744	\$ 58,794,998
Redemptions	\$ 35,790,894	\$ 53,502,519
Exchanges	<u>13,415,033</u>	<u>19,876,789</u>
	<u>49,205,927</u>	<u>73,379,308</u>
Net	\$ 167,817	\$(14,584,310)

Loans Receivable

Outstanding loan balances receivable, with weighted average interest rates, are shown below for the year ended December 31, 2024.

Loans Receivable	Weighted Avg. Int. Rate	Principal
Loans-Congregation	4.110%	\$ 78,684,678
Loans-Ministries & Schools	4.367	31,879,604
Loans-District (Housing & Other)	2.866	1,940,735
Loans-Participation	4.821	29,509,763
Housing Loans-Congregation	3.732	21,112,467
Housing Loans-Ministries & Schools	<u>5.467</u>	<u>311,422</u>
Total	4.228%	\$ 163,438,668

Below is a summary of the maturities of loan balances (as of December 31, 2024) which are expected to mature in upcoming years:

2025	\$ 43,458,627
2026	27,466,787
2027	23,649,831
2028	16,302,840
2029	8,650,172
2030+	<u>43,910,411</u>
Total	\$ 163,438,668

Non-Related Revenues and Expenses

During the year ended December 31, 2024 there were no direct or indirect revenues or expenses of non-related CEF activity.

Ability to Repay Notes

The Notes issued by CEF are of various maturities. Historically, CEF has been able to meet principal and interest requirements on its outstanding investment obligations from the principal and interest it receives on its outstanding loans and from available reserves. Because of the non-liquid nature of outstanding loans, repayment of outstanding Notes by CEF may depend to some extent on the continued sale or renewal of Notes.

LENDING ACTIVITIES

Nature and Types of Loans

Loans are made to various borrowers as previously described under "Use of Proceeds" (see pages 10 - 11). Loans are made for real estate acquisition, construction, renovation, relocation, repairs, equipment, debt refinancing and to a minor extent operations. Loans are also made to eligible borrowers (as previously described) for the purpose of housing their ministry workers.

CEF loans are primarily interest-bearing loans which are normally secured by a pledge of mortgage which encumbers the property and buildings of the borrower. Interest rates are determined by CEF policy using the current cost of funds plus a percentage margin of at least one percent (1%) for costs associated with administering CEF, and giving consideration to other factors such as (i) interest rates charged by other institutions, (ii) CEF's cost of funds, (iii) CEF's average interest rate spread between receivables and payables, (iv) the national economy, (v) the prime lending rate, (vi) average rates published in national indices such as Bankrate.com, (vii) CEF's loan demand, (viii) CEF's cash flow needs, and (ix) current policies of the Federal Reserve. Interest rates on housing loans are set by using the above guidelines plus taking into consideration the rates currently offered by conventional lenders for residential mortgages. The minimum target differential ratio between CEF's cost of funds and the interest rates of return on the entire loan portfolio should be at or above one percent (1.0%).

Generally, loans are offered with an amortization range of five to twenty-five years, with a three or five-year term of maturity. Loans are either fixed or variable rate. At maturity, the loan is generally extended for another period of years at the then prevailing interest rate. Loans for housing are currently granted for a term of 3, 5, or 15 years with amortization periods up to 30 years, and require monthly payments of principal and interest. Lines of Credit are typically written for a term of one year and require monthly payments of interest only on the amount of funds actually disbursed and outstanding.

CEF may consider a "member participation loan" for a borrowing congregation, wherein all funds for the loan are garnered from members of the congregation and 'earmarked' for the specific project. This allows the congregation to (i) establish the interest rates to be paid on member investments, and (ii) participate in establishing the rate of interest to be paid on the loan. The established spread between the interest rates on the Notes sold to the individual investors and the loan to the congregation would compensate CEF for its involvement and administration. CEF requires a spread of no less than 1.0%. The Notes sold to the individual investors are unsecured obligations of CEF - similar to any other Notes offered by CEF. The specific loan is secured by a real estate mortgage on the property for which the proceeds of the loan are being used.

One of the primary functions of CEF is to make loans to new congregations (“mission churches”) or new ministry efforts. CEF provides these borrowers with a subsidy reflected in a lower interest rate (a “Mission Rate”). Loans to mission churches typically include (i) site loans that allow land to be purchased and held, (ii) construction loans for the construction of a mission church, or (iii) loans to renovate existing facilities for a new ministry effort. New ministry site loans have terms that typically do not exceed three years and are at 0% interest during the term. New ministry construction loans or loans to renovate existing facilities have terms that typically do not exceed five years and are at 0% interest during construction (if applicable), Mission Rate interest only during the first two years, and principal and Mission Rate interest during the final three years.

Loan Policy and Underwriting

Factors considered in deciding on the issuance of a loan include any or all of the following: (i) the purpose toward which the funds will be used and how such will aid the ministry; (ii) the history of the borrower, including membership trends and financial statistics; (iii) projected community and membership population; (iv) an analysis of past, current, and projected financial capacity of the borrower; (v) a cost analysis of the project; (vi) the collateral value of the property; and (vii) a review of the borrower’s fundraising efforts and results. It is normally required that the property for which the loan will be used be owned free and clear by the borrower in order to secure a first lien in favor of CEF. The mortgage is typically written to encompass the entire property for purposes of the lien security.

In connection with loans made to congregations and ministries (excluding housing loans), investment support provided by members of the borrower is considered. Since 2019, CEF has offered congregations and ministries the Investment Rebate Program described under “Use of Proceeds” (see pages 10 - 11) which provides eligible borrowers with an annual cash rebate of a portion of the borrower’s principal loan balance with CEF.

Material Loans to a Single Borrower

In order to manage the risk in making loans, loans are limited in size to 30% of net assets. When a single borrower requests loan(s) in excess of 30% of CEF’s net assets, the Board may allow the loan(s) or may consider obtaining participation in the loan(s) from other entities (e.g., LCEF, banks, insurance companies, etc.). As of December 31, 2024, CEF’s net assets were \$59,604,479, and there was no borrower with total loans outstanding that were greater than 30% of net assets. In addition, the risk associated with making large loans is managed by a policy that states loans exceeding 10% of net assets must be approved by a 2/3 majority vote of the Board, with a minimum of six votes for approval.

Delinquencies and Credit Loss

CEF has occasionally experienced credit losses due to uncollectible balances that were forgiven, or real estate sales of CEF’s collateral being less than the loan balances owed. The past three years of net charge-offs (recoveries) taken are as follows:

2024 = \$0

2023 = \$0

2022 = (\$15,027)

Beginning in 2023, CEF implemented a new credit loss accounting policy. FASB issued ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, to replace the incurred loss model for loans and other financial assets with an expected loss model which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loans and held-to-maturity investments. It also applies to off-balance sheet credit exposures such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments. CEF adopted CECL using the modified retrospective method for all financial assets measured at amortized cost and off-the-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. CEF recorded a net increase to net assets with a corresponding decrease to the allowance for credit losses of \$230,000 as of January 1, 2023 for the cumulative effect of adopting CECL. Therefore, adoption of the CECL methodology has not had a significant effect on CEF’s operating results or financial condition.

It is the mission of CEF to assist congregations and ministries with low-cost financing that supports their ministries. Occasionally, borrowers may experience financial hardship for a variety of reasons. As a result of a situation analysis, existing loans (either delinquent or current) may be restructured by amending the required monthly payment by requiring “interest-only” payments for a defined period of time and/or adjusting the interest rate or the amortization on the loan. Such accommodations are done to give the borrower temporary financial relief and provide them with improved cash flow. Disclosure of restructured loans can be found under Management’s Comments and Analysis of Selected Financial Data-Loan Delinquencies on page 16 and in the footnotes to the audited financial statements.

The table below provides a summary of loan delinquency for the three most recent years, indicating the outstanding principal balance of all loans that were 90 or more days past due:

Date	Balance	Percentage of Loans Outstanding
December 31, 2024	\$ 198,641	0.12%
December 31, 2023	\$ 0	0.00%
December 31, 2022	\$ 0	0.00%

A more detailed explanation may be found under “Management’s Comments and Analysis of Selected Financial Data” under “Loan Delinquencies” on page 16.

Loans to the Michigan District

As of December 31, 2024, the Michigan District had loan balances outstanding with CEF in the amount of \$1,940,735. These loans are secured with real estate mortgages on various properties and have been made primarily for the housing of ministry workers. Loans may also be made to the Michigan District for property acquisition, improvements or operating purposes.

Participation Loans

CEF may occasionally participate in a loan originated by another entity. Participation loans are secured by a first lien position on the property given as collateral by the borrower. At year end December 31, 2024, CEF was a participant in participation loans with an outstanding balance (CEF’s portion) of \$29,509,763. At year end December 31, 2023 and 2022, participation loan outstanding balances totaled \$30,748,419 and \$16,151,238, respectively.

INVESTING ACTIVITIES

Nature and Amount of Invested Funds

As of December 31, 2024, CEF had cash, cash equivalents, certificates of deposits, investments and available lines of credit of \$97,683,996 or 49.0% of Notes Payable, achieving its goal of maintaining no less than 10% of the total Notes outstanding as cash and readily marketable securities for the payment of interest and the redemption of Notes Payable. An unsecured line of credit in the amount of \$3,500,000 is maintained with CEF’s primary deposit bank to assist with any daily liquidity needs. The interest rate is variable and changes from time to time based on an index tied to the Prime Rate. The line of credit is available for general operating purposes.

Policy

CEF maintains an investment portfolio for liquidity purposes until funds are needed for new loans or other authorized uses. CEF uses a third-party investment consultant, Asset Consulting Group, to assist CEF in carrying-out the investing responsibilities of its portfolio. Among other things, the investment consultant (i) works with CEF management, the Investment Committee and the Board to set investment policies, guidelines and objectives, (ii) measures overall performance and manager performance, (iii) recommends modifications to the investment policy, objectives, guidelines, and asset allocations, and (iv) recommends the hiring and termination of investment managers. Pursuant to CEF’s Investment Policy, the primary objective for the investment assets of CEF is to provide sufficient growth, income and liquidity to meet the ongoing loan demand and overall mission of CEF.

CEF’s asset allocation is used as the primary tool to achieve this goal. The target asset allocation ranges for CEF’s portfolio are as follows:

Asset Class	Target	Minimum	Maximum
Large Cap Equity	7%	0%	12%
Small/Mid Cap Equity	3%	0%	8%
Non-U.S. Equity	5%	0%	10%
Total Global Equity	15%	0%	25%
Cash/Short Term	10%	5%	100%
Core Fixed Income	30%	20%	40%
Multi-Sector Fixed Income	25%	15%	35%
Liquid Absolute Return	20%	10%	30%
Total Global Fixed Income	85%	75%	100%

A conservative approach is generally taken toward the investments within the portfolio. The Investment Policy allows no more than 25% of the portfolio assets to be invested in equities or equity mutual funds. At the close of 2024 approximately 15% of the portfolio was held in equities excluding equities held in the Endowment Fund.

There is a separate Investment Policy for the Endowment Fund portion of CEF. The Endowment Fund Investment Policy is similar to the general fund Investment Policy except it allows for up to 50% of the Endowment Fund assets to be invested in equities or equity mutual funds. At the close of 2024, approximately 47% of the Endowment Fund investments were held in equities.

Investing Responsibilities

CEF's investment portfolio is managed by its Chief Executive Officer and President, receiving counsel from the investment consultant, CEF's Investment Committee and CEF's Board. CEF management maintains regular dialogue with CEF's investment consultant and reviews monthly statements of activity and performance regarding the entire portfolio. The CEF Investment Committee consists of three elected Trustees, and four members appointed "at large" who are considered to possess knowledge in financial matters. The Investment Committee meets in-person at least twice annually and holds a performance conference call at least twice annually. Periodic reports relating to fund performance, analysis of yield, and market outlook are provided to the Investment Committee members. The Board oversees CEF's entire investment program, including (i) determining the appropriate risk tolerance for the investment portfolio, (ii) establishing reasonable and consistent investment objectives, policies and guidelines, and (iii) reviewing and updating the Investment Policy.

Investments and Maturities

The following describes the types and dollar amounts of investments (at market value) as of December 31, 2024:

		% of Portfolio
Certificates of Deposit	\$ 3,250,909	4
U.S. Treasuries	5,311,273	6
U.S. Agency Securities	5,599,494	6
Corporate Bonds	976,655	1
Total Mutual Funds	71,480,080	
Fixed Income Mutual Funds (\$53,755,392)		62
Equity Mutual Funds (\$17,724,687)		<u>21</u>
Total	\$ 86,618,411	100 %

Maturities of various investments, as of December 31, 2024, ranged from zero to thirty years and coming due as follows:

Demand	\$ 71,490,989
2025	3,050,000
2026	100,000
2027	50,000
2028	0
2029	40,000
2030 and beyond	<u>11,887,422</u>
Total	\$ 86,618,411

Aggregate Gains and Losses

As the portfolio is managed, purchases and sales of investments produce either gains or losses depending upon the market values at the time of acquisition or disposition. Aggregate realized and unrealized gains and losses from investments for each of the past three years were as follows:

	2024	2023	2022
Realized Gain/(Loss)	\$ 385,427	(\$ 3,329,167)	(\$ 1,622,175)
Unrealized Gain/(Loss)	\$ 662,312	\$ 7,954,301	(\$14,717,526)
Net Gain/(Loss)	\$ 1,047,739	\$ 4,625,134	(\$16,339,701)

SELECTED FINANCIAL DATA

Selected financial data is set forth below with respect to CEF and its operations for the most recent five years.

Year End 12/31 -	2024	2023	2022	2021	2020
Cash, Cash Equivalents, Certificates of Deposits and Investments	\$ 94,183,996	\$ 90,954,300	\$ 112,148,135	\$ 134,954,586	\$ 113,067,963
Loans Receivable	\$ 163,438,668	\$ 162,670,556	\$ 146,444,450	\$ 136,471,810	\$ 150,397,934
Unsecured Loans Receivable	\$ 802,839	\$ 886,031	\$ 593,983	\$ 162,491	\$ 691,960
% of Unsecured Loans Receivable	0.49%	0.55%	0.41%	0.12%	0.46%
Loan Delinquencies as a Percent of Loans Receivable	0.12%	0.00%	0.00%	0.00%	0.14%
Total Assets	\$ 259,184,458	\$ 256,482,714	\$ 264,762,318	\$ 275,785,138	\$ 268,586,258
Notes Payable	\$ 199,173,736	\$ 199,005,919	\$ 213,590,231	\$ 210,033,802	\$ 203,854,068
Amount of Notes Redeemed and Exchanged During the Year	\$ 49,205,927	\$ 73,379,308	\$ 47,175,473	\$ 38,771,439	\$ 46,544,238
Other Long Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Assets	\$ 59,604,479	\$ 57,108,416	\$ 50,715,689	\$ 65,340,369	\$ 64,274,644
Change in Net Assets	\$ 2,496,063	\$ 6,162,727	(\$ 14,624,680)	\$ 1,065,725	\$ 4,517,652

Management's Comments and Analysis of Selected Financial Data

Management regularly reviews the overall financial condition of CEF. This is done in part by reviewing past and expected performance in key areas. Complete financial information and other data is presented at each regular meeting of the CEF Board.

Cash and Liquidity

The amount of available cash as compared to cash redemptions has historically met the demand for redemption of Notes. Note redemptions are typically funded via receipts from the issuance of new Notes or Loans Receivable payments. CEF maintains both (i) operating liquidity to provide for cash requirements in the next twelve months as well as (ii) a reserve liquidity of no less than 10% of the outstanding Notes Payable. For the year ended December 31, 2024, cash, cash equivalents, certificates of deposit and investments had a market value equal to 47.3% of its outstanding Notes.

Loans Receivable

Nearly all loans are secured by a first real estate mortgage position on the borrower's property. Less than one percent of Loans Receivable are unsecured.

Loan Delinquencies

At December 31, 2024, the balance of loans with payments 90 days or more past due amounted to 0.12% of the outstanding principal balance of Loans Receivable. It is management's opinion that this level of loan delinquency will not significantly impair liquidity, cash flow or net assets, nor will it result in any significant credit loss. CEF occasionally restructures existing loans, that may or may not be delinquent. Generally, accommodations are made for borrowers experiencing a decrease in revenue for a variety of reasons (e.g., a reduction in attendance or offerings, conflict in the parish, an increase of unemployment in the community, etc.). The terms of the loan may be restructured to revise the payment amortization and/or the interest rate to provide the borrower with financial relief for a certain period of time. Three loans with a combined balance of \$614,255 were modified in 2024. All three loans adjusted monthly payment amounts and amortization schedules. Only one loan was modified due to financial difficulty. Management believes such modifications (i) are in the best interest of the borrowers, (ii) are consistent with CEF's mission, and (iii) will not have a significant impact on the financial stability of CEF.

Source of Funds for Redemption of Notes

Historically, interest and principal payments made on CEF Notes have been funded primarily from principal and interest payments received on outstanding loans. CEF anticipates that it will continue to operate in that manner in the future.

Net Assets and Capital Adequacy

For the year ended December 31, 2024, net assets were equal to 23.0% of total assets. CEF historically maintains a strong capital position as the investments offered by CEF are unsecured and are not SIPC or FDIC insured deposit accounts.

Change in Net Assets

CEF strives to manage its operations so that the interest income received on outstanding loans is sufficient to fund the interest expense on its Notes Payable and operating expenses. CEF has achieved positive operating income in each of the past five years. Total net assets increased by \$2,496,063 in 2024. Net assets include the Endowment Fund, shown as a separate line item in the Statements of Financial Position, which is categorized as 'board designated'.



Church Extension Fund

DESCRIPTION OF NOTES (INVESTMENTS)

Types of Notes, terms, nature, and interest computation and/or accrual are described below. Investments offered by CEF are securities with rates of interest set either upon the original purchase date and remaining fixed for the term, or securities with a rate which varies over the term of the investment. Individuals, organizations and entities that meet the definition of an investor described in "Limited Class of Investors" on page 4 may invest in the investment instruments described below. In addition, a few investments are only available to congregations and organizational investors as specifically noted below.

Interest Rates

Interest rates on all Notes are generally set based on average rates published in national indices such as Bankrate.com, plus or minus increments determined by CEF. Factors that may influence the increments determined by CEF include, but are not limited to, CEF's loan demand, CEF's cash flow needs, CEF's average interest rate spread between loans receivable and Notes Payable, investment gap analysis, the national economy, current policies of the Federal Reserve and rates in use by similar entities. For Fixed Rate Notes, after being set, interest rates remain fixed for the term of the Note. For Variable Rate Notes, after being set, interest rates are adjusted monthly for the term of the Note. For Demand Savings Certificates and ExtensionPlus Account Certificates, the rates are set and adjusted monthly. The maximum interest rate on any Note will not exceed 10%. CEF evaluates and updates the applicable interest rate on its Notes on a monthly basis.

Fixed Rate Notes

CEF offers Fixed Rate Notes and gives the investor the flexibility of choosing the actual term (i.e., maturity date). These Notes have terms of 3 up to 6 months, 6 up to 12 months, 12 up to 24 months, 24 up to 60 months, or 5 years. A minimum investment of \$500 is required on Fixed Rate Notes. CEF also offers a Jumbo 5-year Fixed Rate Note that requires a minimum investment of \$100,000 with a maximum aggregate investment of \$500,000. A premium interest rate is offered for the Jumbo. Additions to Fixed Rate Notes are not allowed during the term of the Note.

The interest rate on Fixed Rate Notes remains fixed for the entire term of the Note. Interest is earned and accrued daily and paid to the account at the end of each calendar quarter. Investors may elect to have interest earnings compound or have the earnings paid on a monthly or quarterly basis. The investor has the option of receiving their interest earnings by check or by electronic transfer of funds.

Fixed Rate Notes are automatically renewable at the option of CEF for a like term at the prevailing rate then offered for a Fixed Rate Note. A maturity notice is provided to the investor at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, a Note will be extended for a new term equal to the preceding term at the prevailing rate then offered for a Fixed Rate Note of the same length of maturity.

CEF may offer, from time to time, a promotional Fixed Rate Note whose terms are consistent with the description provided above except it may have unique terms (e.g., a unique interest rate, a unique term, etc.).

Fixed Rate 2+2 Notes

Fixed Rate 2+2 Notes give the investor the flexibility of making 2 additions and/or 2 redemptions during the term of the fixed Note, while yet maintaining the interest rate and maturity date. The balance may not be drawn down below the original investment amount. These Notes have a term of 17 months. A minimum investment of \$2,500 is required on Fixed Rate 2+2 Notes.

The interest rate is fixed for the entire term of the Note. Interest is earned and accrued daily and paid to the account at the end of each calendar quarter. Investors may elect to have interest earnings compound or have the earnings paid on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds.

Fixed Rate 2+2 Notes are automatically renewable at the option of CEF for a like term at the prevailing rate then offered for a Fixed Rate 2+2 Note. A maturity notice is provided to the investor at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, a Note will be extended for a new term equal to the preceding term at the prevailing rate then offered for a Fixed Rate 2+2 Note of the same length of maturity.

Variable Rate Notes

These Notes have a specified term of 1 year, 2½ years, or 5 years, with rates adjusted monthly over the term. A minimum investment of \$500 is required. Additional investments in minimum amounts of \$100 may be made and added to the principal balance of a Variable Rate Note while maintaining the same maturity. Interest is earned and accrued daily and paid to the account at the end of each calendar quarter. Investors may elect to have interest earnings compound or have the earnings paid on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds.

Variable Rate Notes are automatically renewable at the option of CEF for a like term at the prevailing rate then offered for a Variable Rate Note. A maturity notice is provided to the investor at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, a Note will be extended for a new term equal to the preceding term at the prevailing rate then offered for a Variable Rate Note of the same length and maturity.

Growth Notes

As of May 1, 2015, these Notes are no longer offered. Growth Notes previously issued and not presented for payment at their original maturity will automatically be renewed for a one year term at the prevailing interest rate offered for Fixed Rate Notes with a one year maturity.

Demand Savings Certificates

This is a savings plan that permits additions to the investment and redemption privileges at any time with no loss of interest. A minimum investment of \$5.00 is required. The interest rate on all Demand Savings Certificates (new and outstanding) will be adjusted on the first day of each month and shall be effective to the close of the last day of that month. Monthly interest rates vary according to tiers based on the amount invested. Those tiers are as follows: (i) amounts less than \$100; (ii) amounts of at least \$100 and less than \$1,000; (iii) amounts of at least \$1,000 and less than \$10,000; (iv) amounts of at least \$10,000 and more. At the end of each calendar month, interest earned to date will be added to the principal amount of the investment. For larger balances, an investor is permitted to be paid interest on a monthly or quarterly basis.

Redemptions may be made at any time with no loss of interest. Except as described in the next sentence, redemptions from Demand Savings Accounts must be made in writing and signed by an owner of the account. An investor may make a partial redemption using a passcode and calling the CEF office (toll free at 800-242-3944) during normal business hours to request such partial redemption.

ExtensionPlus Account Certificates

This demand certificate has a tiered minimum balance, and pays a higher interest rate for higher balances. Additions to the investment, as well as redemptions, are permitted at any time. Check writing access for redemptions is available. Additionally, the investor may choose a debit card to access funds from the account wherever debit cards are accepted or ATMs (automated teller machines) are used.

A minimum investment of \$100 is required to open and maintain the account. The interest rate on all ExtensionPlus Account Certificates (new and outstanding) will be adjusted on the first day of each month, with that rate to be effective till the close of the last day of that month. Monthly interest rates shall vary according to tiers based on the total amount invested. Those tiers are as follows: (i) amounts less than \$10,000; (ii) amounts of at least \$10,000 and less than \$25,000; (iii) amounts of at least \$25,000 and less than \$150,000; (iv) amounts of at least \$150,000 and more. At the end of each calendar month, interest earned will be added to the principal amount of the investment.

Redemptions may be made at any time with no loss of interest. Except as described in the next sentence, redemptions from ExtensionPlus Account Certificates must be made in writing and signed by an owner of the account. An investor may make a partial redemption (i) using a passcode and calling the CEF office (toll free at 800-242-3944) during normal business hours to request such partial redemption, (ii) via a debit card, or (iii) via an ATM transaction. CEF has entered into an agreement with UMB Bank of Kansas City, Missouri, for the servicing of both the check writing and debit card features of the ExtensionPlus Account.

Congregation and Organization Notes

Congregations that are members of the Michigan District, the Michigan District itself, and other organizations or entities that meet the definition of an investor described in "Limited Class of Investors" on page 4 may invest in all of the investment instruments described above, plus the three unique Notes described below.

Fixed Rate Notes For Congregations and Organizational Investors

CEF offers a special Fixed Rate Note for congregations and organizations. The description of Fixed Rate Notes for congregations and organizations is identical to the description of Fixed Rate Notes on page 18 except that the investor (i) does not have the flexibility of choosing the actual term (i.e., maturity date), and (ii) can only choose from one of three terms or maturities: 1, 2 or 5 years. Often the interest rate for these special Fixed Rate Notes is set at a slightly higher rate.

Variable Rate Notes For Congregations and Organizational Investors

CEF offers a special Variable Rate Note for congregations and organizations. The description of Variable Rate Notes for congregations and organizations is identical to the description of Variable Rate Notes on page 18 except that the investor can only choose from one of three terms or maturities: 1, 2 or 5 years. Often the interest rate for these special Variable Rate Notes is set at a slightly higher rate.

Demand Savings Certificates For Congregations and Organizational Investors

CEF offers a special Demand Savings Certificate for congregations and organizations. The description of Demand Savings Certificates for congregations and organizations is identical to the description of Demand Savings Certificates on page 19. Often the interest rate for these special Demand Savings Certificates is set at a slightly higher rate.

Savings Stamps

CEF stamps are sold primarily to children and youth through Sunday Schools and parochial day schools operated by congregations within the Michigan District. Stamps have an assigned cash value (e.g., \$1.00, \$5.00 and \$10.00), and are sold to congregations and schools in blocks of \$100 and \$200 books. The stamps may be purchased on account by congregations/schools and paid for as they are sold to recipients. When they are sold to recipients, the stamps are typically collected and placed in stamp books. Filled stamp books may be turned in to CEF and converted into CEF Demand Savings Certificates for the face amount of all stamps accumulated in books. Additional stamps may be converted into a new or existing Demand Savings Certificate.

IRA and Coverdell Investment Instruments

CEF offers its Demand Savings Certificates, Fixed Rate Notes and Variable Rate Notes, as investments to fund Traditional and Roth Individual Retirement Accounts ("IRA") and Coverdell Educational Savings Accounts ("Coverdell"). Demand Savings Certificates acquired as an investment for an IRA or Coverdell are offered with an initial minimum investment amount of \$100 and are otherwise as described in the Demand Savings Certificates paragraphs above. Variable Rate Notes and Fixed Rate Notes are offered as investments for an IRA or Coverdell as described in the Variable Rate Notes and Fixed Rate Notes paragraphs above.

Responsibility for establishing an IRA or Coverdell which will qualify for tax deferral under provisions of the applicable tax laws rests with the individual investor. CEF employs a financial institution with trust powers (UMB Bank, N.A. of Kansas City, Missouri) to act as custodian of self-directed IRAs and Coverdells, and upon direction of individual investors, UMB Bank will invest funds with CEF. A processing fee may be assessed by UMB Bank for annual distributions or closure of an IRA or Coverdell account.

Because an IRA or Coverdell is subject to specific requirements under the Internal Revenue Code, investors are encouraged to consult their tax advisors before deciding to invest in a CEF IRA or Coverdell.

Types of Ownership

CEF Notes may be held with several different types of ownership including (i) by individuals (one person), (ii) jointly (two or more persons), (iii) by organizations (e.g., non-profit entities), (iv) by businesses (e.g., for-profit entities in which the owner or majority owners meet the definition of an investor), (v) as a minor with custodian, and (vi) by a trust.

Verification of Investor Identity

In order to comply with applicable laws and regulations, CEF may require information, in addition to the information initially requested on the application to invest, before accepting any new investments. Investor identity will be verified on all new investment applications. Investor privacy is protected pursuant to the CEF Privacy Policy or the UMB Bank Privacy Policy as it relates to new IRA or Coverdell investments. CEF reserves the right to reject any application without cause or further explanation.

By purchasing CEF investments, holders of Notes acknowledge and agree that, in the event of any dispute relating to the legal ownership of such Notes (including between alleged beneficiaries), CEF maintains the right to require (i) judicial intervention to determine and/or rule on the proper legal ownership, or (ii) mutual agreement of all interested parties as to the agreed upon ownership rights. Holders of such Notes also acknowledge and agree that CEF shall not be held liable regarding any determinations of ownership rights as set forth above.

Receipts and Certification of Notes

Notes are issued as uncertificated securities (i.e., in book-entry form), and the right of investors in such Notes will be reflected upon the books and records of CEF. An Investment Certification will be provided to investors to confirm their investment. The investor receives periodic statements indicating the balance of a Note including any additions or redemptions, and any interest paid.

Penalties for Redemptions Prior to Maturity

Notes submitted for redemption prior to their initial maturity are subject to a penalty equal to a loss of interest as noted below:

- Fixed Rate Notes less than 6 months = 45 days interest;
- Fixed Rate Notes 6 months to less than 12 months = 90 days interest;
- Fixed or Variable Rate Notes 12 months or greater = 180 days interest;
- Jumbo 5-year Fixed Rate Notes = 365/366 days interest.

Except for the Jumbo Note referenced above, after the first (initial) maturity date of a Note, provided the same Note has been renewed for a like period of time, an investor may redeem the Note without penalty. CEF is not required to redeem any Note prior to its maturity. However, at its discretion, CEF may redeem a Note and waive some or all of a penalty if necessity or emergency is demonstrated, or if circumstances otherwise support such a waiver (e.g., death of an owner).

Transferability and Redemption

Notes are not negotiable or transferable. Redemption of all or a portion of a Note may be made as follows: (A) for record owners (i.e., certificated Notes), upon (i) the surrender of the original note, signed by an account owner, or (ii) submission of a Lost Note Affidavit signed by all account owners; or (B) for book-entry owners (i.e., uncertificated Notes), upon written notice by an account owner. Redemption of all or a portion of a Note before maturity (early redemption) may result in a penalty being applied. Notes may be assigned only upon the written consent of CEF. Upon the death of an investor, CEF will redeem the Note without penalty. If jointly owned, CEF will permit the Note to be transferred to the surviving owner(s) consistent with CEF policy. CEF will also permit individual or jointly owned Notes to be transferred to a trust without altering the original interest rate, maturity or other terms of the Note. A properly completed application for investment is generally required for any permitted transfer.

Electronic Funds Transfer ("EFT")

CEF offers EFT and gives the investor the option of one or all of the following: (i) interest earnings may be electronically deposited to the investor's bank account; (ii) the investor may authorize CEF to establish a one-time or recurring transaction to withdraw funds from the investor's checking or savings account and electronically transfer those funds to an eligible CEF investment; and/or (iii) funds of a predetermined amount may be automatically redeemed from an existing CEF investment and deposited directly into the investor's checking or savings account at another financial institution. All EFT requests must be submitted in writing or initiated by authorized users from CEF's secure online banking portal.

Acceptance of Funds

CEF will accept payment for the purchase of its Notes and other investments in the form of cash, personal check, cashier's check, money order, wire transfer, ACH transfer or other similar methods utilized by financial institutions.

Ranking and Priority

The Notes issued hereunder are not subordinated to any other debt of the issuer. When Notes are issued, they have equal rank with Notes previously or subsequently issued. If CEF were to issue senior secured indebtedness in the future, then the senior secured indebtedness to which the Notes are or will be subordinated shall not exceed ten percent (10%) of the total assets of CEF.

CEF has the authority and power to issue its Notes and evidences of indebtedness without any express limitation as to the amount. The holders of all CEF Notes and other instruments of indebtedness are "unsecured creditors" of CEF and, as such, have only those rights as are extended by the law to unsecured creditors in the event of any default. There is no "sinking fund" for repayment. Historically, CEF has been able to meet obligations from the principal and interest it receives on its outstanding loans and from available reserves. Cash and liquid assets equal to at least ten percent (10%) of the value of the total Notes outstanding is maintained as a reserve for the payment of interest and the redemption of Notes.

PLAN OF DISTRIBUTION

CEF's offering of Notes is made solely by the Offering Circular. The Offering Circular contains CEF's audited financial statements and is typically distributed to Michigan District congregations and sent directly to current CEF investors. The Offering Circular and audited financial statements are also available on CEF's website and at its office. Promotional material may be published in church and District publications, and may also be distributed at churches and District conventions, conferences and seminars. In addition, promotional material may be mailed to existing or prospective investors. A representative of CEF also may discuss the nature and purpose of the work of CEF at Michigan District meetings or at congregational services or gatherings.

Advertising materials contain a toll-free telephone number (800-242-3944) which existing or prospective investors may use to call and request an Offering Circular. A second toll-free telephone number (800-232-7313), available 24 hours per day- seven days a week, is provided for current or prospective investors with a recorded message of CEF's current rates of interest offered on its investments. The CEF website (www.mi-cef.org) also contains CEF's Offering Circular, current rates of investments offered, Applications and Maturity Options Forms, and promotional information. No offers to purchase will be accepted prior to the time that an investor has signed an application acknowledging receipt of an Offering Circular.

There are no underwriters participating in, and no selling agreements in the distribution of, the Notes offered by CEF. No direct or indirect commissions or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Notes described within this Offering Circular.

TAX ASPECTS

Investors will not receive a charitable deduction upon the purchase of a Note. The interest paid or payable on the Notes will be taxable as ordinary income to the holder in the year it is paid or accrued. Accordingly, interest accrued over the life of a Note must be reported annually as income even if the funds are not received until a later maturity date. Investors may also be liable for other taxes applicable in the state or locality in which they reside. Since the tax laws of each state and locality may differ, each investor should consult a tax advisor about the tax consequences of the Notes they purchase.

Transferability of the Notes is limited and it is unlikely that there would be a sale or exchange of a Note. See “Transferability and Redemption” on page 21. Upon a transfer, however, the seller generally would report either short-term or long-term gain or loss (depending upon the length of time held), with the gain or loss being equal to the difference between the purchase price and the amount received upon sale or exchange, less previously accrued interest. Purchasers who hold Notes until their maturity will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income.

An individual investor (or a husband and wife together) who invested or loaned more than \$250,000 in aggregate with or to Synodical Corporations (e.g., districts, district-based extension funds, colleges and seminaries, LCEF, or Synodically controlled organizations) may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code. Such investors should consult their tax advisors to be informed of the special income tax rules applicable to loans and investments, in the aggregate, greater than \$250,000.

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

CEF will notify investors of interest earned (totaling \$10.00 or more) by sending them an IRS Tax Form 1099-INT by January 31st of each year. If an investor donates their earnings to CEF or another qualified 501(c)(3) tax exempt non-profit entity, they will still receive an IRS Tax Form 1099-INT. However, the amount donated should constitute a charitable contribution that can be deducted on the investor’s income tax return, subject to limitations under applicable law. CEF recommends and encourages investors to consult their tax advisor for the proper reporting of interest earnings and for all other tax-related matters relating to the ownership or disposition of its Notes.

LEGAL MATTERS

Corporate counsel for CEF is the law firm of McShane & Bowie, P.L.C., 99 Monroe Avenue NW, Suite 1100, Grand Rapids, MI 49503. The firm has opined that the Notes, when issued, will be valid obligations of CEF according to their terms and conditions.

LITIGATION AND MATERIAL TRANSACTIONS

To the best of its knowledge, CEF is not aware of any pending or threatened action, proceeding, inquiry, or investigation, at law or in equity, in which an adverse determination would have an adverse material impact on CEF. For the prior three years, there has been no material litigation involving any CEF Trustee or Officer pertaining to his/her duties as a Trustee or Officer. There are no other transactions or other matters known that may materially affect the offering of investment Notes.

MANAGEMENT

Structure

CEF is a non-profit entity incorporated under the laws of the State of Michigan as a Church Trustee Corporation. Powers relating to “property” are defined by Michigan law including:

“Trustees of Church Trustee Corporations may, in their corporate name, take and hold all property, real and personal, devised, bequeathed, transferred or conveyed to them for the use and benefit of the religious denomination by whose representative body they are appointed.” MCL 450.161

Further, State law permits a Church Trustee Corporation the following powers of “investment:”

“Trustees of Church Trustee Corporations may, in their corporate name, invest and reinvest the property in their hands and under their control as such trustees, collect the rents, issues and profits thereof, and out of the same pay the taxes, repairs, insurance and other expenses incident to the care thereof . . .” MCL 450.162

Purpose

The primary purpose of CEF, as outlined in its Bylaws, is to contribute to the ministry and purposes of the Michigan District and its member congregations. More specifically, CEF shall administer a fund and acquire assets to assist (by loans, grants, or otherwise) primarily the Michigan District, congregations of the Michigan District, individuals serving as ministry workers within the Michigan District, LCMS schools and colleges, entities and associations qualifying as Michigan District RSOs, entities and associations qualifying as LCMS RSOs, and other ministries associated with or supported by the Michigan District or its member congregations. CEF may also purchase or participate in loans that other entities (e.g., extension funds, banks, insurance companies, etc.) originate. Participation loans typically exist outside of Michigan. Per CEF policy, total loans purchased or participated in shall not limit or jeopardize the funds needed to support loan demand within the Michigan District. The purpose for which funds and assistance may be provided shall include, but is not limited to, acquiring property, erecting buildings, remodeling facilities, purchasing equipment, acquiring housing, refinancing existing debt, and supporting other projects or the operations of the above.

Board Membership

The CEF Board consists of nine (9) elected trustees. The elected trustees shall consist of three (3) persons duly rostered in the LCMS and called or assigned within the Michigan District, and six (6) laypersons. Board candidates shall have an understanding of CEF's programs and/or demonstrate expertise in fields or areas closely related to CEF activities such as banking, investments, accounting, law, real estate, business management or financial planning. Trustees are elected by Michigan District congregations - typically during the Michigan District's triennial convention. Approximately one-half of the trustees are elected or reelected every three years. All elected trustees begin their terms of office on the first of October following their date of election.

The trustees are elected for a term of six (6) years. They may be elected for two (2) consecutive terms, after which a period of three (3) years must elapse before they are again eligible for election as trustees. Vacancies caused by death, resignation, removal, declination to serve or otherwise, may be filled by the remaining trustees, subject to ratification by the Board of Directors of the Michigan District.

Organization

The trustees of CEF elect from within the Board membership a Chairman, a Vice-Chairman, a Secretary, and a Treasurer. The trustees also appoint a Chief Executive Officer and such other officers as it considers necessary for the efficient conduct of its business. Trustees serve without compensation but do receive reimbursement for travel, meals, lodging and other expenses in connection with authorized Board business.

There are no material employment contracts, prerequisites of employment, or conflicts of interest regarding CEF's officers, trustees, or other persons having authority over the administration of CEF. No trustee or officer has been convicted of any criminal proceeding in the past ten years (other than for traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgement or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

Administration

CEF's executive officers includes a Chief Executive Officer, who is responsible for managing all of CEF's activities; a President, who serves as the office operations manager and the chief financial officer; and a Vice President – Strategy & Marketing, who supervises the marketing and promotional activities of CEF, promotes investing with CEF, and engages in strategic planning for CEF. There are ten other individuals who are employed by CEF to help carry out the operations of CEF. Management may hire additional staff as it deems necessary for the efficient operation of CEF.

Employees participate in a LCMS defined benefit pension plan administered by Concordia Plan Services, to which CEF contributes on their behalf. Employees are also provided health care insurance for which participating employees make some contribution. CEF employees are given the option of receiving \$4,200 per year in additional compensation in lieu of health care coverage.

The three executive officers of CEF, in positions as the CEO, the President and the Vice President – Strategy & Marketing, received direct and indirect remuneration in 2024 in the aggregate of \$689,587. Each received direct and indirect remuneration in 2024 as shown below:

	Executive Officer			
	Aggregate	CEO	President	VP-Marketing
Salary	\$ 603,313	\$ 238,749	\$ 228,764	\$ 135,800
Health Insurance, compensation in lieu of health insurance, retirement plan, disability insurance, and group term life insurance	\$ 85,188	\$ 36,976	\$ 29,214	\$ 18,008
Personal use of CEF Owned Automobile	\$ 1,086	\$ 0	\$ 0	\$ 1,086
Total Direct and Indirect Remuneration	\$ 689,587	\$ 275,725	\$ 257,978	\$ 155,884

Compensation of the officers is in no way related to or contingent upon the sale of Notes.

Board of Trustees

Chairman

Mr. Timothy H. Haberling, age 58, is Vice President/Credit Lead for Fifth Third Bank, Grand Rapids, Michigan, with whom he has been employed since 1990. He is a graduate of Central Michigan University (BBA), and Western Michigan University (MBA). He is a member of Immanuel Lutheran Church, Grand Rapids, Michigan. Mr. Haberling joined the Board in 2012. His term expires in 2025.

Vice-Chairman

Mr. Kurt C. Kuck, age 68, is recently retired. He was Vice-President-Chief Financial Officer of Kuka Assembly & Test Corporation, an auto parts manufacturer in Saginaw, Michigan, from 1985 - 2022. He is a graduate of Western Michigan University (BBA). He is a member of Peace Lutheran Church in Saginaw. Mr. Kuck joined the Board in 2015. His term expires in 2028.

Treasurer

Mr. Jeffery T. Roscoe, age 68, is Vice President-Finance for the Jim White Group, Inc., a national building material distributor based in Saginaw, Michigan, with whom he has been employed since 1982. He is a graduate of Saginaw Valley State University (BBA). He is a member of Faith Lutheran Church, Bay City, Michigan. Mr. Roscoe joined the Board in 2012. His term expires in 2025.

Secretary

Mr. David C. C. Eberhard, age 56, is a lawyer and partner with the law firm of Warner, Norcross & Judd LLP, Clinton Township, Michigan, with whom he has been employed since 2008. He has been a member of the Michigan Bar since 1995. He is a graduate of the University of Michigan (BGS) and the University of Detroit – Mercy School of Law (JD). He is a member of Historic Trinity Lutheran Church, Detroit, Michigan. Mr. Eberhard joined the Board in 2012. His term expires in 2025.

Additional Board Members

Ms. Laura J. Davis, age 41, is a lawyer and partner with the law firm of Honigman LLP, Detroit, Michigan, with whom she has been employed since 2017. She has been a member of the Michigan Bar since 2008. She is a graduate of the University of Michigan (BA) and (JD). She is a member of Bethany Lutheran Church - Detroit, Michigan. Ms. Davis joined the Board in 2022. Her term expires in 2028.

Ms. Rebecca H. Holnagel, age 43, is the owner of Holnagel Actuarial Services, Lansing, Michigan, with whom she has been employed since 2022. She is a graduate of the University of Michigan - Flint (BA). She is a member of St. Luke Lutheran Church - Haslett, Michigan. Ms. Holnagel joined the Board in 2022. Her term expires in 2028.

Rev. Dr. David P. E. Maier, age 68, is the Executive Director of The Center, located in Detroit, Michigan. He was the Michigan District LCMS President from 2009 - 2022. He is a graduate of Concordia University Ann Arbor (BA); Concordia Theological Seminary - Ft. Wayne, Ind. (MDiv); Concordia University - Wisconsin (DD). He is a member of Trinity Lutheran Church - Arcadia, Michigan. Rev. Dr. Maier joined the Board in 2022. His term expires in 2028.

Rev. Eric W. Majeski, age 57, has been Senior Pastor of Grace Lutheran Fellowship in Romeo, Michigan, since 2003. He is a graduate of Concordia University Ann Arbor (BA); Concordia Theological Seminary - Ft. Wayne, Ind. (MDiv). He has been in active service since 1993. Rev. Majeski joined the Board in 2022. His term expires in 2025.

Rev. Brad Hubbard, age 49, has been the Lead Pastor of St. Lorenz in Frankenmuth, Michigan, since 2020. He is a graduate of Indiana University and Concordia Theological Seminary, and has served in pastoral ministry for over 20 years. He began his service on the CEF board in the Fall of 2024. His term expires in 2028.

Executive Officers

Chief Executive Officer

Mr. James R. Saalfeld, age 58, was appointed Chief Executive Officer in 2016. Mr. Saalfeld was a member of the CEF Board of Trustees from 2003-2015, serving as its chairman for six years. Prior to his employment with CEF, Mr. Saalfeld was a corporate executive and attorney with 25 years of management and legal (in-house counsel and law firm) experience. Areas of expertise include business transactions, employment, real estate, securities, litigation management and risk assessment. He is a graduate of the University of Nebraska (BA) and Northwestern University School of Law (JD). Mr. Saalfeld is a member of Peace Lutheran Church, Ann Arbor, Michigan. His email address is jim.saalfeld@mi-cef.org.

President

Mr. John H. Bates, age 64, has been employed by CEF since 1984 and serves as the office manager and chief financial officer. Mr. Bates was appointed President in 2016. Mr. Bates' career with CEF began when he was hired as an Accountant. He is a graduate of Valparaiso University (BS) and Eastern Michigan University (MBA). He is a member of St. Paul Lutheran Church, Ann Arbor, Michigan. His e-mail address is john.bates@mi-cef.org.

Vice-President – Strategy & Marketing

Mr. Andrew Sohn, age 40, was appointed Vice President – Strategy & Marketing in 2018. Prior to his employment with CEF, Mr. Sohn served as Director of Donor Relations, Assistant Director of Admissions and as an Admissions Counselor at Concordia University – Ann Arbor. He is a graduate of Concordia University – Chicago (BA). He is a member of St. Paul Lutheran Church, Ann Arbor, Michigan. His e-mail address is andrew.sohn@mi-cef.org.

FINANCIAL STATEMENTS

The financial statements of CEF for the year ending December 31, 2024 have been audited by Forvis Mazars, LLP, 910 E. St. Louis Street, P.O. Box 1190, Springfield, Missouri 65806. Copies of the audited financial statements are provided to the Board of Directors of the Michigan District annually. Current audited financial statements will be made available to investors upon written request, and will be mailed to them within 120 days of the CEF's last fiscal year end. The audited financial statements for the years 2022 through 2024 follow on pages 26-55.

Independent Auditor's Report

Board of Trustees
Church Extension Fund of the Michigan District
of the Lutheran Church – Missouri Synod
Ann Arbor, Michigan

Opinion

We have audited the financial statements of Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod (Church Extension Fund), which comprise the statements of financial position as of December 31, 2024, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Church Extension Fund as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Church Extension Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2023 and 2022 financial statements were audited by other auditors, and their report thereon, dated March 11, 2024, expressed an unmodified opinion with an "Emphasis of Matter" related to the adoption of new accounting guidance ASU 2016-13: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, in the year ended December 31, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Church Extension Fund's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Church Extension Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Church Extension Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Forvis Mazars, LLP

**Springfield, Missouri
March 17, 2025**

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod
Statements of Financial Position
December 31, 2024, 2023, and 2022

	2024	2023	2022
ASSETS			
Cash and cash equivalents	\$ 7,565,585	\$ 6,698,024	\$ 9,665,477
Certificates of deposit and investments			
Certificates of deposit	3,250,909	2,268,840	1,450,254
U.S. Treasuries	5,311,273	4,418,155	8,362,020
U.S. agency securities	5,599,494	5,963,935	10,837,310
Corporate bonds	976,655	1,564,630	11,103,875
Mutual funds	71,480,080	70,040,716	70,729,199
Total certificates of deposit and investments	86,618,411	84,256,276	102,482,658
Loans receivable			
Congregations	78,684,678	81,966,011	87,875,494
Ministry worker housing loans	23,257,741	20,494,518	15,906,089
Schools and other ministries	61,496,249	60,210,027	42,662,867
Gross loans receivable	163,438,668	162,670,556	146,444,450
Allowance for credit losses	(1,570,000)	(1,650,000)	(1,890,000)
Net loans receivable	161,868,668	161,020,556	144,554,450
Accrued interest receivable	746,356	758,740	770,190
Advance mission sites and real estate owned, net of valuation allowance	2,216,725	3,712,305	5,152,304
Equipment and automobiles, net of accumulated depreciation	111,570	30,341	11,901
Beneficial interest in charitable remainder trust	-	-	1,782,101
Other assets	57,143	6,472	343,237
Total Assets	\$ 259,184,458	\$ 256,482,714	\$ 264,762,318

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod
Statements of Financial Position
December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Notes payable			
Fixed rate notes			
Demand	\$ 36,074	\$ 35,678	\$ 39,711
Term	126,373,737	114,934,344	105,392,088
Variable rate notes			
Demand	40,421,190	43,797,369	59,903,596
Term	32,262,933	40,156,176	48,168,054
Savings stamps	<u>79,802</u>	<u>82,352</u>	<u>86,782</u>
Total notes payable	199,173,736	199,005,919	213,590,231
Funds held for others	260,931	262,267	265,196
Accounts payable and accrued expenses	<u>145,312</u>	<u>106,112</u>	<u>191,202</u>
Total Liabilities	<u>199,579,979</u>	<u>199,374,298</u>	<u>214,046,629</u>
Net Assets			
Without donor restrictions			
Undesignated	47,747,805	45,978,827	40,828,265
Board designated - endowment fund	<u>11,856,674</u>	<u>11,129,589</u>	<u>8,105,323</u>
Total without donor restrictions	59,604,479	57,108,416	48,933,588
With donor restrictions	<u>-</u>	<u>-</u>	<u>1,782,101</u>
Total Net Assets	<u>59,604,479</u>	<u>57,108,416</u>	<u>50,715,689</u>
Total Liabilities and Net Assets	<u>\$ 259,184,458</u>	<u>\$ 256,482,714</u>	<u>\$ 264,762,318</u>

See Notes to Financial Statement

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod
Statements of Activities
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions			
Revenue and other operating income			
Interest income			
Loans receivable	\$ 6,385,888	\$ 5,657,895	\$ 4,906,532
Certificates of deposit and investments, net	<u>3,529,855</u>	<u>3,423,848</u>	<u>3,592,080</u>
Total Interest Income	9,915,743	9,081,743	8,498,612
Interest expense on notes payable	<u>(5,886,971)</u>	<u>(4,798,388)</u>	<u>(3,122,894)</u>
Net interest income	4,028,772	4,283,355	5,375,718
Recovery of credit losses - loans receivable	<u>80,000</u>	<u>10,000</u>	<u>30,027</u>
Net Interest Income After Recovery of Credit Losses	<u>4,108,772</u>	<u>4,293,355</u>	<u>5,405,745</u>
Other operating income (loss)			
Net gain on disposal of equipment and automobiles and advance mission sites and real estate owned	754,401	176,500	-
Loss on advance mission sites and real estate owned	-	-	(147,636)
Other	<u>99,720</u>	<u>136,484</u>	<u>101,441</u>
Total Other Operating Income (Loss)	<u>854,121</u>	<u>312,984</u>	<u>(46,195)</u>
Total Revenue and Other Operating Income (Loss)	<u>4,962,893</u>	<u>4,606,339</u>	<u>5,359,550</u>
Program expenses			
Operating expenses			
Salaries and employee benefits	1,816,527	1,574,801	1,527,868
Promotion	461,153	459,752	359,467
Depreciation	21,664	10,460	11,761
Office	486,388	581,913	721,278
Carrying costs on advance mission sites and real estate owned	115,457	202,732	49,775
Other	<u>271,848</u>	<u>245,070</u>	<u>263,678</u>
Total Operating Expenses	<u>3,173,037</u>	<u>3,074,728</u>	<u>2,933,827</u>
Net Operating Income	<u>1,789,856</u>	<u>1,531,611</u>	<u>2,425,723</u>
Other income (expense)			
Net realized and unrealized gain (loss) on investments	1,047,739	4,625,134	(16,339,701)
Donations of cash and other financial assets	63,458	150,668	16,398
Net assets released from restrictions	-	1,801,894	-
Grants disbursed	<u>(404,990)</u>	<u>(164,479)</u>	<u>(736,895)</u>
Total Other Income (Expense)	<u>706,207</u>	<u>6,413,217</u>	<u>(17,060,198)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	2,496,063	7,944,828	(14,634,475)
Net assets without donor restrictions, beginning of year	57,108,416	48,933,588	63,568,063
Cumulative adjustment for the adoption of ASU 2016-13	<u>-</u>	<u>230,000</u>	<u>-</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 59,604,479</u>	<u>\$ 57,108,416</u>	<u>\$ 48,933,588</u>

See Notes to Financial Statements

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod
Statements of Changes in Net Assets
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 2,496,063</u>	<u>\$ 7,944,828</u>	<u>\$ (14,634,475)</u>
Increase (decrease) in net assets with donor restrictions			
Net assets released from restriction	-	(1,801,894)	-
Beneficial interest in charitable remainder trust	<u>-</u>	<u>19,793</u>	<u>9,795</u>
Increase (decrease) in net assets with donor restrictions	<u>-</u>	<u>(1,782,101)</u>	<u>9,795</u>
Change in Net Assets	2,496,063	6,162,727	(14,624,680)
Net assets, beginning of year	57,108,416	50,715,689	65,340,369
Cumulative adjustment for the adoption of ASU 2016-13	<u>-</u>	<u>230,000</u>	<u>-</u>
Net Assets, End of Year	<u><u>\$ 59,604,479</u></u>	<u><u>\$ 57,108,416</u></u>	<u><u>\$ 50,715,689</u></u>

See Notes to Financial Statements

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod
Statements of Cash Flows
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Activities			
Total change in net assets	\$ 2,496,063	\$ 6,162,727	\$ (14,624,680)
Adjustments to reconcile total change in net assets to net cash from operating activities			
Depreciation	21,664	10,460	11,761
Recovery of credit losses	(80,000)	(10,000)	(30,027)
Loss on advance mission sites and real estate owned	-	-	147,636
Net realized (gains) losses on investments	(1,047,739)	(4,625,134)	16,339,701
Amortization and accretion on investments, net	(72,356)	(21,232)	272,474
(Gain) loss on disposal of equipment and automobiles and advance mission sites and real estate owned	(754,401)	(176,500)	-
Changes in			
Beneficial interest in charitable remainder trust	-	1,782,101	(9,795)
Accrued interest receivable	12,384	11,450	314,821
Other assets	(50,671)	336,765	(4,591)
Funds held for others	(1,336)	(2,929)	(1,421)
Accounts payable and accrued expenses	39,199	(85,090)	(42,740)
Net Cash Provided by Operating Activities	<u>562,807</u>	<u>3,382,618</u>	<u>2,373,139</u>
Investing Activities			
Proceeds from sales, calls, maturities, and prepayments of investments	5,017,648	50,505,848	43,546,671
Purchase of investments	(6,259,688)	(27,633,100)	(38,569,739)
Proceeds from loan payments	20,411,136	14,771,959	14,790,097
Loan disbursements	(20,021,990)	(29,498,065)	(25,081,308)
Proceeds from sale of equipment and automobiles and advance mission sites of real estate owned	1,092,840	116,500	-
Purchase of equipment and automobiles and advance mission sites	(103,010)	(28,901)	(1,922,225)
Net Cash Provided by (Used in) Investing Activities	<u>136,936</u>	<u>8,234,241</u>	<u>(7,236,504)</u>
Financing Activities			
Proceeds from sale of notes payable	35,958,712	38,918,207	40,804,810
Redemption of notes payable	(35,790,894)	(53,502,519)	(37,248,381)
Net Cash Provided by (Used in) Financing Activities	<u>167,818</u>	<u>(14,584,312)</u>	<u>3,556,429</u>
Net increase (decrease) in cash and cash equivalents	867,561	(2,967,453)	(1,306,936)
Cash and cash equivalents, beginning of year	6,698,024	9,665,477	10,972,413
Cash and Cash Equivalents, End of Year	<u>\$ 7,565,585</u>	<u>\$ 6,698,024</u>	<u>\$ 9,665,477</u>
Supplemental Cash Flows Information			
Cash paid during the year for interest	\$ 5,864,135	\$ 4,799,484	\$ 3,130,000
Purchase of investment not yet settled	\$ -	\$ -	\$ 89,592
Transfer from advance mission sites and real estate owned to loans receivable	\$ 1,157,258	\$ 1,500,000	\$ -

See Notes to Financial Statements

Note 1. Nature of Operations

Nature of Operations

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod (CEF) is a nonprofit corporation as described in the Internal Revenue Code Section 501(c)(3), exempt from federal income taxes as part of a group tax exemption for the Lutheran Church – Missouri Synod. CEF is a Church Trustee Corporation associated with the Michigan District of the Lutheran Church – Missouri Synod (Michigan District). The member congregations of the Michigan District elect members of the Board of Trustees of CEF.

CEF's operations consist primarily of lending funds to Lutheran congregations and recognized service organizations in Michigan for construction and renovation of church, ministry, and school facilities. CEF also makes housing loans to Lutheran congregations and ministries for the benefit of their workers. Funds for the loans are provided by funds from Lutheran congregations, individuals, and organizations, generally in the form of unsecured notes payable with maturities ranging up to five years. Historically, a large portion of these notes payable have been renewed at maturity.

CEF maintains an endowment fund with investments designated for use at the Board of Trustees' discretion. The purpose of the endowment fund is to receive donations and bequests and to use the proceeds to promote CEF's goals. See further discussion of the endowment fund in *Note 10*.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CEF have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets of CEF and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that should be met either by actions of CEF and/or by the passage of time.

Revenues, program expenses, other income or expense, and donations are reported as follows:

- Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Program expenses are reported as decreases in net assets without donor restrictions. Other income or expense items are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on net assets, *i.e.* the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Donations with donor restrictions whose restrictions are satisfied in the same year in which the donation revenue is recorded are reported as donations without donor restrictions.
- Donations, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Donations of assets other than cash are recorded at their estimated fair value.

Church Extension Fund of the Michigan District of the Lutheran Church – Missouri Synod
Notes to Financial Statements
December 31, 2024, 2023, and 2022

- Certain net assets without donor restrictions are designated by the Board of Trustees for funding of specific initiatives and programs associated with CEF's goals of supporting Lutheran-based organizations and activities and are referred to as Board-designed endowment funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes

CEF is exempt from federal income taxes due to its status as a nonprofit corporation under Internal Revenue Code Section 501(c)(3). The assertion that income is not subject to tax is considered a tax position that requires evaluation under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. Management has completed the evaluation for the years ended December 31, 2024, 2023, and 2022, and has not identified any uncertain tax positions.

There were no income tax related interest or penalties recognized by CEF for the years ended December 31, 2024, 2023, and 2022. If necessary, CEF would recognize interest and penalties incurred related to unrecognized tax positions in operating expenses-other in the statements of financial activities. CEF has not been examined by any tax jurisdiction. CEF does not have any unrecognized tax benefits and does not expect that position to significantly change in the next 12 months.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand and savings deposits and money market funds. CEF considers all financial instruments with original maturity of 90 days or less to be cash equivalents except for such amounts held within the investment portfolio for future purchases of additional investments. At December 31, 2024, CEF's cash accounts exceeded federally insured limits by approximately \$1,841,000.

Certificates of Deposit

CEF maintains deposits with other financial institutions and loan funds that are term certificates of deposit. These certificates of deposit are recorded at cost and are held by CEF to the contractual maturity of the deposit.

Contractual maturities of certificates of deposit at December 31, 2024, were as follows:

<u>During Years Ending December 31</u>	<u>Amount Maturing</u>
2025	\$ 3,060,909
2026	100,000
2027	50,000
2028	-
2029	40,000
	<u>\$ 3,250,909</u>

Investments

Investments are carried at fair value and consist of U.S. Treasuries, U.S. agency securities, corporate bonds, and mutual funds. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. Interest income includes amortization and accretion of purchase premium or discount.

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Premiums and discounts on investments are amortized or accreted on the level yield method without anticipating prepayments, except for mortgage-backed securities such as certain U.S. agency securities where prepayments are anticipated.

An investment is placed on nonaccrual status at the time any principal or interest payments become greater than 90 days delinquent. Interest accrued but not received for an investment placed on nonaccrual is reversed against interest income.

Loans Receivable

Loans receivable (loans) that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balance, net of an allowance for credit losses. Accrued interest receivable totaled \$507,802 and \$533,304 at December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable in the Statements of Financial Position and is excluded from the estimate of credit losses.

Loan Receivable Interest Recognition

Interest on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest on loans is discontinued at the time the loan is 180 days past due unless the loan is well secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal and interest is considered doubtful.

Interest accrued, but not collected, at the date a loan is placed on nonaccrual status is reversed and charged against interest income. Interest received on such loans is accounted for on the cash-basis method until the loan is returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts due are no longer delinquent and future payments are reasonably assured.

Allowance for Credit Losses – Loans Receivable

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. Any forecasting assumptions are over a one-year timeframe with immediate reversion.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. CEF uses the weighted average remaining maturity (WARM) method for estimating expected losses on each portfolio segment. The WARM method uses an average annual charge-off rate and remaining life to estimate the allowance for credit losses. The average annual charge-off rate contains losses over several vintages and is used as a foundation for estimating the credit losses for the remaining balances of financial assets in an asset pool as of the statement of financial condition date. The average annual charge-off rate is applied to the contractual term, further adjusted for estimated prepayments to determine the unadjusted historical charge-off rate for the remaining balance of the financial assets.

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The annual charge-off rate is comprised of CEF historical loss experience over the past eight years by portfolio segment. This actual loss experience is supplemented with other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: average worship attendance, the housing market and interest rates, and activity related to nontraditional loans such as participations. Management forecasts the qualitative factors over the next twelve months and has adjusted the historical loss experience for these expectations. CEF has identified the following portfolio segments:

Congregations: Loans to congregations for the purchase or improvement of property or for general operating use. The risk characteristics of this portfolio segment vary based on specific factors regarding the congregation such as weekly giving, attendance, strength of the pastor and leadership team amongst other factors. Repayment is typically dependent on cash flows generated from the underlying operations of the congregation or by the real estate securing the loan.

Ministry Worker Housing: Loans to purchase, improve, or refinance family residences. The risks associated with this portfolio segment are generally dependent on the overall real estate environment and individual payment obligations. Real estate property is subject to changes in market valuation and can be unstable for a variety of reasons.

Schools and Ministries: Loans to organizations that are associated with the missional work of congregations such as schools, assistance centers, assisted living facilities amongst others. The risk characteristics of these loans are that they operate more like a commercial business and thus cash flows are primarily generated from the operations of the business. A secondary source of repayment is typically commercial real estate properties that secure these loans.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for estimated selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by CEF.

Advance Mission Sites

Advance mission sites are real estate property to be used as sites for the possible future construction of church, ministry, or school facilities. Such advance mission sites are acquired in areas in which it is anticipated that there will be growth in the Lutheran population. These properties are carried at the lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to acquisition, a valuation allowance is recorded through loss on advance mission sites and real estate owned in the Statements of Activities. Operating costs after acquisition are expensed in carrying costs on advance mission sites and real estate owned in the Statements of Activities.

Real Estate Owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through loss on advance mission sites and real estate owned in the Statements of Activities. Operating costs after acquisition are expensed in carrying costs on advance mission sites and real estate owned in the Statements of Activities.

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Equipment and Automobiles

Equipment and automobiles are stated at cost, less accumulated depreciation (\$321,868, \$404,463, and \$426,945 at December 31, 2024, 2023, and 2022, respectively). Depreciation is computed on the straight-line method based upon the estimated life of the assets (2 to 15 years). Expenditures for maintenance and repairs are charged to operating expenses - office in the Statements of Activities as incurred.

Beneficial Interest in Charitable Remainder Trust

CEF was the remainder beneficiary under one charitable remainder trust, the corpus of which was not controlled by CEF management. CEF recognized its beneficial interest in this trust as an asset donation with donor restrictions. The interest in the trust was recognized at fair value based on the present value of the expected distribution using a discount rate of 0.00% for the year ended December 31, 2022.

In 2023, the donor restrictions on the charitable remainder trust expired due to the passage of time and the funds held in the trust were distributed to CEF. At the point in which the funds became available to CEF, the funds were reclassified to net assets without donor restrictions as noted by the line-item net assets released from restrictions in the Statements of Activities. As a result, there was no longer a balance outstanding for the beneficial interest in charitable remainder trust after that date.

Long-Lived Assets

CEF evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2024, 2023, or 2022.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and issued to meet borrower financing needs. The face amount for these items represents the exposure to loss, before considering the borrower's collateral or ability to repay. Such financial instruments are recorded when they are funded.

Advertising and Promotions

CEF expenses advertising and promotional costs as incurred. Advertising and promotional expenses amounted to \$461,153, \$459,742, and \$359,467 in 2024, 2023, and 2022, respectively.

Funds Held for Others

Funds received for the benefit of others outside of CEF are recorded on a gross basis with the funds received included in cash and cash equivalents or certificates of deposit and investments in the Statements of Financial Position with a corresponding liability for the same amount.

Liquidity

CEF maintains liquid assets consisting of cash and cash equivalents and readily marketable investments consisting of certificates of deposit, U.S. Treasuries, U.S. agency securities, corporate bonds, and mutual funds of at least 10% of total notes payable outstanding for the payment of interest and redemption of these notes payable which are due on demand. CEF was in compliance with this liquidity requirement as of December 31, 2024, 2023, and 2022. See Note 12 for further details on CEF's liquidity.

Adoption of New Accounting Standards

On January 1, 2023, CEF adopted ASU 2016-13: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost including loan receivables. It also applies to off-balance sheet credit exposure such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments.

CEF adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet (OBS) credit exposure. Results for reporting periods beginning January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. CEF recorded an increase to beginning net assets of \$230,000 as of January 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment included a \$230,000 corresponding decrease to the allowance for credit losses – loans receivable.

Reclassifications

Certain reclassifications have been made to the 2023 and 2022 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on change in net assets.

Note 3. Investments and Fair Value Measurements

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024, 2023, and 2022:

Asset Class	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2024				
Investments				
U.S. Treasuries	\$ 5,311,273	\$ 5,311,273	\$ -	\$ -
U.S. agency securities	5,599,494	-	5,599,494	-
Corporate bonds	976,655	708,383	268,272	-
Mutual funds	71,480,080	59,368,183	12,111,897	-
Total investments	<u>\$ 83,367,502</u>	<u>\$ 65,387,839</u>	<u>\$ 17,979,663</u>	<u>\$ -</u>
December 31, 2023				
U.S. Treasuries	\$ 4,418,155	\$ 4,418,155	\$ -	\$ -
U.S. agency securities	5,963,935	-	5,963,935	-
Corporate bonds	1,564,630	-	1,564,630	-
Mutual funds	70,040,716	70,040,716	-	-
Total investments	<u>\$ 81,987,436</u>	<u>\$ 74,458,871</u>	<u>\$ 7,528,565</u>	<u>\$ -</u>
December 31, 2022				
U.S. Treasuries	\$ 8,362,020	\$ 8,362,020	\$ -	\$ -
U.S. agency securities	10,837,310	-	10,837,310	-
Corporate bonds	11,103,875	-	11,103,875	-
Mutual funds	70,729,199	70,729,199	-	-
Total investments	<u>\$ 101,032,404</u>	<u>\$ 79,091,219</u>	<u>\$ 21,941,185</u>	<u>\$ -</u>
Beneficial interest in Charitable remainder trust	<u>\$ 1,782,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,782,101</u>

Certificates of deposit are recorded at cost and held for the contractual maturity of the investment. As a result, certificates of deposit are excluded from the assets measured at fair value on a recurring basis disclosure above.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024.

Investments

The fair values of mutual funds, U.S. Treasuries, and certain corporate bonds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair values of other investments (U.S. agency securities and corporate bonds) are determined by obtaining valuations from third parties based on matrix pricing, which is a mathematical technique widely used in the industry to value investments without relying exclusively on quoted prices for the specific investments but rather by relying on the investments' relationship to other benchmark quoted investments (Level 2 inputs). In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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Beneficial Interest in Charitable Remainder Trust

At December 31, 2022, the fair value of the beneficial interest in charitable remainder trust is obtained based on inputs from an independent third party (the trust administrator) that are unadjusted by management. The fair value is determined based upon CEF's proportional interest in the fair value of the underlying trust assets and the fair value of the expected distributions from the trust. The underlying trust assets are readily marketable and have fair values that are determined by obtaining quoted market prices in active markets. This valuation method has been estimated to represent the present value of future distributed income. The liquidation of these assets is contingent upon circumstances that are out of CEF's control and cannot be liquidated on a periodic basis (Level 3 inputs).

The following table presents additional information about the assets measured at fair value on a recurring basis for which CEF utilized Level 3 inputs to determine fair value:

Beneficial Interest in Charitable Remainder Trust	
Balance January 1, 2022	\$ 1,772,306
Change in fair value	<u>9,795</u>
Balance December 31, 2022	<u><u>\$ 1,782,101</u></u>
Change in fair value	19,793
Distribution of trust assets	<u>(1,801,894)</u>
Balance December 31, 2023	<u><u>\$ -</u></u>
Balance December 31, 2024	<u><u>\$ -</u></u>

The distribution of trust assets in 2023 was due to the release of restrictions on the funds held in the trust and transfer of those funds to cash and cash equivalents as discussed in *Note 2*.

Investment related fees and expenses for the years ended December 31, 2024, 2023, and 2022 totaled \$188,183, \$170,258, and \$229,610, respectively, and is included in interest income - certificates of deposit and investments, net in the Statements of Activities.

The following schedule summarizes the investment return reported in the statements of financial activities and changes in net assets without donor restrictions for the years ended December 31, 2024, 2023, and 2022.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Interest income - certificates of deposit and investments, net	\$ 3,529,855	\$ 3,423,850	\$ 3,592,080
Net realized gain (loss) on sale of investments	385,427	(3,329,167)	(1,622,175)
Net unrealized gain (loss) on investments	<u>662,312</u>	<u>7,954,301</u>	<u>(14,717,526)</u>
Total investment return	<u><u>\$ 4,577,594</u></u>	<u><u>\$ 8,048,984</u></u>	<u><u>\$ (12,747,621)</u></u>

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Nonrecurring Measurements

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024, 2023, and 2022:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
December 31, 2024				
Individually evaluated loans - congregations	\$ 2,331,817	\$ -	\$ -	\$ 2,331,817
December 31, 2023				
Individually evaluated loans - congregations	\$ 3,173,457	\$ -	\$ -	\$ 3,173,457
Individually evaluated loans - ministry worker housing	54,112	-	-	54,112
December 31, 2022				
Impaired loans - standard loans	\$ 3,333,632	\$ -	\$ -	\$ 3,333,632
Advance mission sites and real estate owned	1,440,000	-	-	1,440,000

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Individually Evaluated Loans Receivable

The fair value of individually evaluated loans receivable (loans) with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and, further, adjustments to appraised values are made by management in response to market conditions and other factors. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

From time to time, the borrower may sell the underlying collateral on certain individually evaluated loans to another third party under a sales agreement approved by CEF. The individually evaluated loan is then recorded by management at fair value based on an observable market price obtained via the approved sales agreement resulting in a Level 2 classification of the inputs for determining fair value.

Advance Mission Sites and Real Estate Owned

CEF does not record its investment in these real estate properties at fair value on a recurring basis. However, from time to time, CEF records fair value adjustments to these real estate properties where recent appraised values are lower than CEF's carrying value. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and, further, adjustments to appraised values are made by management in response to market conditions and other factors. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

From time to time, CEF may sell advance mission sites and real estate owned to another third party under a sales agreement approved by CEF. The advance mission site or real estate owned property is then recorded by

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management at fair value based on an observable market price obtained via the approved sales agreement resulting in a Level 2 classification of the inputs for determining fair value.

Unobservable (Level 3) Inputs

Valuations for individually evaluated loans receivable and advance mission sites and real estate owned are generally obtained through brokered price opinions (BPOs) obtained from real estate agents whose qualifications and licenses have been reviewed and verified by CEF. Management reviews the assumptions and approaches utilized in the BPO. Management periodically evaluates the estimated market value as provided in the BPO and will discount a property's value to account for a number of factors including but not limited to the cost of liquidating the collateral, the age of the BPO, observable deterioration since the BPO, or other factors unique to the real estate property.

At December 31, 2024 and 2023, there were no advance mission sites and real estate owned remeasured at fair value. At December 31, 2022, advance mission sites and real estate owned measured at fair value less estimated cost to sell, had a net carrying value of \$1,440,000, which is made up of the outstanding balance of \$1,587,636 less a valuation allowance of \$147,636 at December 31, 2022, resulting in a write down of \$147,636 for the year ended December 31, 2022.

For Level 3 fair value measurements related to individually evaluated loans as of December 31, 2024, the fair value of \$2,331,817 was determined based on management's review of the underlying brokered price opinions (BPOs) obtained from real estate agents whose qualifications and licenses have been reviewed and verified by CEF. Management considered unobservable inputs resulting in adjustments made by the real estate agents for differences in the comparable sales included in the BPOs that amounted to a range of 22% to 23% of the estimated value with a weighted average of 23%.

For Level 3 fair value measurements related to individually evaluated loans as of December 31, 2023, the fair value of \$3,227,569 was determined based on management's review of the underlying brokered price opinions (BPOs) obtained from real estate agents whose qualifications and licenses have been reviewed and verified by CEF. Management considered unobservable inputs resulting in adjustments made by the real estate agents for differences in the comparable sales included in the BPOs that amounted to a range of 12% to 71% of the estimated value with a weighted average of 19%.

For Level 3 fair value measurements related to impaired loans - standard loans as of December 31, 2022, the fair value of \$3,333,632 was determined based on management's review of the underlying brokered price opinions (BPOs) obtained from real estate agents whose qualifications and licenses have been reviewed and verified by CEF. Management considered unobservable inputs resulting in adjustments made by the real estate agents for differences in the comparable sales included in the BPOs that amounted to a range of 12% to 70% of the estimated value with a weighted average of 18%.

There were no advance mission sites and real estate owned carried at fair value as of December 31, 2024 and 2023. For Level 2 fair value measurements related to advance mission sites and real estate owned as of December 31, 2022, the fair value of \$1,440,000 was determined based on management's review of the underlying brokered price opinions (BPOs) obtained from real estate agents whose qualifications and licenses have been reviewed and verified by CEF. Management considered unobservable inputs resulting in adjustments made by the real estate agents for differences in the comparable sales included in the BPOs that amounted to a range of 8% to 43% of the estimated value with a weighted average of 9%.

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Note 4. Loans Receivable

The outstanding loan balance by portfolio segment for net loans receivable at December 31, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Congregation loans	\$ 78,684,678	\$ 81,966,011
Ministry worker housing loans	23,257,741	20,494,518
School and other ministries loans	61,496,249	60,210,027
Allowance for credit losses	<u>(1,570,000)</u>	<u>(1,650,000)</u>
Net loans receivable	<u>\$ 161,868,668</u>	<u>\$ 161,020,556</u>

The outstanding loan balance by portfolio segment for net loans receivable at December 31, 2022, is as follows:

	<u>2022</u>
Construction loans	\$ -
Standard loans	146,444,450
Allowance for loan losses	<u>(1,890,000)</u>
Net loans receivable	<u>\$ 144,554,450</u>

Allowance for Credit Losses and Related Loans

A summary of the activity in the allowance for credit losses by portfolio segment is as follows for the years ended December 31, 2024 and 2023:

	<u>Congregation Loans</u>	<u>Ministry Worker Housing Loans</u>	<u>School and Other Ministries Loans</u>	<u>Total</u>
Balance, January 1, 2023, prior to adoption of ASC 326	\$ 1,550,561	\$ 109,143	\$ 230,296	\$ 1,890,000
Impact of adoption ASC 326	(185,836)	33,614	(77,778)	(230,000)
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
(Recovery) provision for credit losses	<u>(72,136)</u>	<u>(30,396)</u>	<u>92,532</u>	<u>(10,000)</u>
Balance, December 31, 2023	<u>\$ 1,292,589</u>	<u>\$ 112,361</u>	<u>\$ 245,050</u>	<u>\$ 1,650,000</u>
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
(Recovery) provision for credit losses	<u>(104,682)</u>	<u>2,812</u>	<u>21,870</u>	<u>(80,000)</u>
Balance, December 31, 2024	<u>\$ 1,187,907</u>	<u>\$ 115,173</u>	<u>\$ 266,920</u>	<u>\$ 1,570,000</u>

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A summary of the activity in the allowance for loan losses by portfolio segment and based on impairment method for the year ended December 31, 2022, is as follows:

	Construction Loans	Standard Loans	Total
Balance, January 1, 2022	\$ -	\$ 1,905,000	\$ 1,905,000
Charge-offs	-	-	-
Recoveries	-	15,027	15,027
(Recovery) provision for credit losses	-	(30,027)	(30,027)
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 1,890,000</u>	<u>\$ 1,890,000</u>
Ending balance individually evaluated for impairment	\$ -	\$ 901,808	\$ 901,808
Ending balance collectively evaluated for impairment	-	988,192	988,192
Total	<u>\$ -</u>	<u>\$ 1,890,000</u>	<u>\$ 1,890,000</u>
Loans			
Balance, December 31, 2022	\$ -	\$ 146,444,450	\$ 146,444,450
Accrued interest receivable	-	453,973	453,973
Recorded investment	<u>\$ -</u>	<u>\$ 146,898,423</u>	<u>\$ 146,898,423</u>
Ending balance individually evaluated for impairment	\$ -	\$ 6,524,531	\$ 6,524,531
Ending balance collectively evaluated for impairment	-	140,373,892	140,373,892
Total	<u>\$ -</u>	<u>\$ 146,898,423</u>	<u>\$ 146,898,423</u>

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Past Due Loans

A summary of the outstanding principal balance in past due loans at December 31, 2024, 2023, and 2022, is as follows:

	2024					Total
	Current (Accruing)	30-59 Days Past Due (Accruing)	60-89 Days Past Due (Accruing)	90-179 Days Past Due (Accruing)	180+ Days and Over (Non- Accruing)	
Congregation loans	\$ 73,338,436	\$ 5,147,601	\$ -	\$ 198,641	\$ -	\$ 78,684,678
Ministry worker housing loans	23,089,530	168,211	-	-	-	23,257,741
School and other ministries loans	61,431,537	64,712	-	-	-	61,496,249
Total	<u>\$ 157,859,503</u>	<u>\$ 5,380,524</u>	<u>\$ -</u>	<u>\$ 198,641</u>	<u>\$ -</u>	<u>\$ 163,438,668</u>
	2023					Total
	Current (Accruing)	30-59 Days Past Due (Accruing)	60-89 Days Past Due (Accruing)	90-179 Days Past Due (Accruing)	180+ Days and Over (Non- Accruing)	
Congregation loans	\$ 79,764,613	\$ 1,997,093	\$ 204,305	\$ -	\$ -	\$ 81,966,011
Ministry worker housing loans	20,345,355	149,163	-	-	-	20,494,518
School and other ministries loans	60,210,027	-	-	-	-	60,210,027
Total	<u>\$ 160,319,995</u>	<u>\$ 2,146,256</u>	<u>\$ 204,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,670,556</u>
	2022					Total
	Current (Accruing)	30-59 Days Past Due (Accruing)	60-89 Days Past Due (Accruing)	90-179 Days Past Due (Accruing)	180+ Days and Over (Non- Accruing)	
Construction loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Standard loans	142,675,374	2,878,007	1,678,640	-	-	147,232,021
Total	<u>\$ 142,675,374</u>	<u>\$ 2,878,007</u>	<u>\$ 1,678,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,232,021</u>

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Individually Evaluated Collateral Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by portfolio segment and collateral type as of December 31, 2024 and 2023:

	Commercial Real Estate	Residential Real Estate
December 31, 2024		
Congregation loans	\$ 3,197,722	\$ -
Ministry worker housing loans	-	81,388
	<u>\$ 3,197,722</u>	<u>\$ 81,388</u>
December 31, 2023		
Congregation loans	\$ 4,023,457	\$ -
Ministry worker housing loans	-	84,112
	<u>\$ 4,023,457</u>	<u>\$ 84,112</u>

Impaired Loans and Related Allowances for Loan Losses

At December 31, 2022, CEF considers a loan impaired when based on current information and events, it is probable that CEF will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The recorded investment in impaired loans is periodically adjusted to reflect cash payments and revised estimates of future cash flows. Cash payments representing interest income are reported as such. Other cash payments are reported as reductions in the recorded investment. Increases or decreases due to changes in estimates of future payments are considered in relation to the overall adequacy of the allowance for loan losses.

The following is a summary of information pertaining to the recorded investment in impaired standard loans (there are no impaired construction loans) as of December 31, 2022:

Impaired loans with a valuation allowance	\$ 4,257,181
Impaired loans without a valuation allowance	<u>2,267,350</u>
Total impaired loans	<u>\$ 6,524,531</u>
With an allowance for loan losses recorded	
Recorded investment	\$ 4,257,181
Unpaid balance	4,257,181
Related allowance for loan losses	901,808
Average recorded investment during the year	\$ 6,683,350
Interest income recognized while impaired	\$ 258,877
Interest income recognized on a cash basis while impaired	\$ 248,723

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Loan Modifications

Occasionally, CEF modifies loans to borrowers in financial distress by providing a term extension, an other-than-insignificant payment delay, an interest rate reduction or other appropriate relief. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, CEF provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

During the year-ending December 31, 2024, there were three loan modifications made on congregation loans in the amount totaling \$614,255. These modifications involved changes in monthly payment amounts and amortization schedules. CEF has a commitment to lend to one of these borrowers in the amount of \$150,000 in the form of a line of credit. As of December 31, 2024, two of the borrowers were current under the modified loan terms and one borrower was 30 days past due. There were no payment defaults during the year-ending December 31, 2024.

During the year-ending December 31, 2023, there was one loan modification made on a congregation loan in the amount of \$446,241. The modification involved a single concession related to an other-than-insignificant payment delay in which the borrower was given an interest only period of 11 months delaying any required principal payments on the loan. CEF has not committed to lend additional amounts to this borrower that received the loan modification. As of December 31, 2023, the borrower was current under the modified loan terms and there were no payment defaults during the year-ending December 31, 2023.

Credit Quality and Nonaccrual Loans

Each month CEF divides the loan portfolio into two credit quality categories based upon their payment records - performing loans and nonperforming loans. Nonperforming loans, or those that are in nonaccrual status, are loans that are past due 180 days or more. Information regarding loans in nonaccrual status is located in the past due loans section of this footnote. All loans that are not classified as nonaccrual loans are considered performing loans.

Note 5. Loan Commitments

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each borrower's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but typically includes real estate owned by churches and nonprofit organizations. CEF had outstanding commitments to originate loans aggregating approximately \$1,799,000, \$7,313,000, and \$5,059,000 at December 31, 2024, 2023, and 2022, respectively.

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Lines of Credit

Lines of credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Lines of credit are generally structured as a callable line with 90 days notice to the borrower. Since a portion of the line may not be drawn upon, the total unused lines do not necessarily represent future cash requirements. Each borrower's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but typically includes real estate owned by churches and nonprofit organizations. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

CEF had granted unused lines of credit to borrowers aggregating approximately \$10,681,000, \$8,482,000, and \$7,738,000 at December 31, 2024, 2023, and 2022, respectively.

Note 6. Notes Payable

The notes payable on December 31, by maturity, are shown below. CEF intends to pay these redemptions from repayments of loan principal expected to be received for the same periods and with proceeds from additional notes payable issued.

Future scheduled maturities of notes payable are as follows:

Demand	\$ 40,537,067
2025	71,755,062
2026	51,915,474
2027	13,839,222
2028	13,564,248
2029	7,560,693
Thereafter	<u>1,970</u>
Total	<u><u>\$ 199,173,736</u></u>

As of December 31, 2024, interest rates on demand outstanding notes payable range from 0.40% to 5.00% with a weighted average rate of 1.85% and interest rates on nondemand outstanding notes payable range from 0.00% to 5.50% with a weighted average rate of 3.47%.

Note 7. Line of Credit

CEF has an unsecured line of credit agreement with a local financial institution. The maximum amount available on the line of credit was \$3,500,000 as of December 31, 2024, 2023, and 2022. This line of credit bears interest at the prime rate (effectively 7.50% at December 31, 2024). The line of credit is due on demand and does not have a stated maturity date. The line of credit is available for general operating purposes. The line of credit had no balance outstanding at December 31, 2024, 2023, and 2022.

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Note 8. Pension Plan

Full-time employees of CEF are eligible to participate in a defined benefit pension plan of the Lutheran Church – Missouri Synod, a multiple-employer plan. Pension expense is funded as service under the plan is earned and was approximately \$112,000, \$93,000, and \$107,000 in 2024, 2023, and 2022, respectively. The risks of participating in this multiple-employer plan are different from a single-employer plan in the following respects:

- Assets contributed to the multiple-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
- If CEF chooses to stop participating in the multiple-employer plan, CEF may be required to pay the plan an amount based on CEF's proportionate share of unfunded vested plan benefits, referred to as a withdrawal liability.

The plan is a church-sponsored plan. It is not governed by ERISA and is not required to file Form 5500. The plan does not have an Employee Identification Number (EIN), it does not have a three-digit plan number and is not required to make plan documents publicly available. The most recent available financial information for the plan is as of December 31, 2023. In the December 31, 2023, financial statements, net assets available for benefits reported were approximately \$4.0 billion while the total actuarial value of accumulated plan benefits was approximately \$4.6 billion. In the 2023 plan year, the plan received \$118.1 million in total contributions from all employers participating in the plan, of which approximately \$0.1 million was contributed by CEF, which is less than 5% of the total contributions to the plan. There has been no financial improvement or rehabilitation plan implemented nor is there one pending. There have been no significant changes to the plan that affect the comparability of the 2024, 2023, and 2022 contributions.

Note 9. Related Party Transactions

CEF engages in certain transactions with related parties. The following is a summary of transactions entered into with related parties:

	2024	2023	2022
Outstanding school and other ministries loans to the Michigan district at subsidized interest rates	\$ 106,882	\$ 130,645	\$ 153,938
Outstanding ministry worker housing loans to the Michigan district at published interest rates	1,833,853	1,986,984	2,292,753
Outstanding land contract to a business owned by a Board member	-	-	333,598
Outstanding notes payable to the Michigan District	7,422,124	7,477,649	8,696,825
Annual payments to the Michigan District for space usage	44,000	44,000	44,000
Annual payments received from the Michigan District for computer support services	14,000	14,000	14,000
Annual payments to the Michigan District for District conferences and events	120,931	83,191	57,267
Outstanding notes payable to Board members and CEF employees at published interest rates	817,342	798,450	570,081
Interest income from loans to the Michigan District and ministry worker housing loans	58,485	82,233	81,746
Interest paid on notes payable to the Michigan District, Board members, and CEF employees	276,760	232,313	158,835

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CEF agreed to match campaign donations received by the Michigan District at a ratio of 10%, paid in increments of \$100,000 up to a total donation of \$1,000,000. Matching donations for each year of \$0, \$0 and \$100,000 was paid by CEF in 2024, 2023, and 2022, respectively. This matching campaign concluded in 2022 and CEF has no remaining commitments as of December 31, 2024.

The Board of Trustees of CEF approved the formation of a Foundation which was established as a separate legal entity from CEF. The Foundation is governed by its own bylaws and has a Board of Trustees of which a majority are independent of CEF. As such, the Foundation is not consolidated into CEF for financial reporting purposes. CEF and the Foundation have an administrative services agreement whereby CEF provides certain administrative services such as accounting and data processing as examples in exchange for an administrative fee paid to CEF which was not material to CEF in 2024, 2023, and 2022, respectively.

Note 10. Endowment Fund

Topic ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan has enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after the enactment date. CEF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. CEF's endowment consists of approximately five individual funds. Its endowment includes funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters, and Strategies: CEF has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes various types of investments, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 4.0%, while growing the funds if possible. Therefore, CEF expects its endowment assets, over time, to produce an average rate of return of approximately 6.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: CEF has a policy of appropriating for distribution each year up to 4.0% of its Board-designated endowment fund's previous year-end investment balance and distributing only the interest earnings of the donor-restricted endowment funds. In establishing this policy, CEF considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. CEF expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2.0% annually. This is consistent with CEF's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

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Endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Endowment Assets
December 31, 2024			
Board-designated endowment funds	\$ 11,856,674	\$ -	\$ 11,856,674
December 31, 2023			
Board-designated endowment funds	\$ 11,129,589	\$ -	\$ 11,129,589
December 31, 2022			
Board-designated endowment funds	\$ 8,105,323	\$ -	\$ 8,105,323

Changes in endowment net assets are as follows:

	2024		Total Net Endowment Assets
	Without Donor Restriction	With Donor Restriction	
Endowment net assets, beginning of year	\$ 11,129,589	\$ -	\$ 11,129,589
Donations	63,458	-	63,458
Interest income - certificates of deposit and investments, net	461,133	-	461,133
Net appreciation in value	445,480	-	445,480
Amounts appropriated for expenditure	(242,986)	-	(242,986)
Endowment net assets, end of year	<u>\$ 11,856,674</u>	<u>\$ -</u>	<u>\$ 11,856,674</u>
	2023		Total Net Endowment Assets
	Without Donor Restriction	With Donor Restriction	
Endowment net assets, beginning of year	\$ 8,105,323	\$ -	\$ 8,105,323
Donations	150,668	-	150,668
Net assets designated	1,801,894	-	1,801,894
Interest income - certificates of deposit and investments, net	312,812	-	312,812
Net appreciation in value	825,662	-	825,662
Amounts appropriated for expenditure	(66,770)	-	(66,770)
Endowment net assets, end of year	<u>\$ 11,129,589</u>	<u>\$ -</u>	<u>\$ 11,129,589</u>

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	2022		
	Without Donor Restriction	With Donor Restriction	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 9,624,833	\$ -	\$ 9,624,833
Donations	16,398	-	16,398
Interest income - certificates of deposit and investments, net	301,434	-	301,434
Net appreciation in value	(1,577,512)	-	(1,577,512)
Amounts appropriated for expenditure	(259,830)	-	(259,830)
Endowment net assets, end of year	<u>\$ 8,105,323</u>	<u>\$ -</u>	<u>\$ 8,105,323</u>

Note 11. Expenses

The Statements of Activities report certain natural categories of expenses attributable to the programs and supporting functions of CEF. Program activities include one category of "lending, deposits, and services" and the supporting activities includes one category of "general and administrative." The table below presents these functional expenses by their natural classification for the years ended December 31, 2024, 2023, and 2022.

	December 31, 2024		
	Functional Classification		
Natural Classification	Lending, Deposits and Services	General and Administrative	Total
Interest on notes payable	\$ 5,886,971	\$ -	\$ 5,886,971
Salaries and employee benefits	1,126,246	690,281	1,816,527
Promotion	461,153	-	461,153
Depreciation	-	21,664	21,664
Office	301,561	184,827	486,388
Carrying cost on advance missions sites and real estate owned	115,457	-	115,457
Other	168,545	103,303	271,848
Total expenses	<u>\$ 8,059,933</u>	<u>\$ 1,000,075</u>	<u>\$ 9,060,008</u>

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Natural Classification	December 31, 2023		
	Functional Classification		Total
	Lending, Deposits and Services	General and Administrative	
Interest on notes payable	\$ 4,798,388	\$ -	\$ 4,798,388
Salaries and employee benefits	992,125	582,676	1,574,801
Promotion	459,752	-	459,752
Depreciation	-	10,460	10,460
Office	366,605	215,308	581,913
Carrying cost on advance missions sites and real estate owned	202,732	-	202,732
Other	154,394	90,676	245,070
Total expenses	<u>\$ 6,973,996</u>	<u>\$ 899,120</u>	<u>\$ 7,873,116</u>

Natural Classification	December 31, 2022		
	Functional Classification		Total
	Lending, Deposits and Services	General and Administrative	
Interest on notes payable	\$ 3,122,894	\$ -	\$ 3,122,894
Salaries and employee benefits	977,836	550,032	1,527,868
Promotion	359,467	-	359,467
Depreciation	-	11,761	11,761
Office	461,618	259,660	721,278
Carrying cost on advance missions sites and real estate owned	49,775	-	49,775
Other	168,754	94,924	263,678
Total expenses	<u>\$ 5,140,344</u>	<u>\$ 916,377</u>	<u>\$ 6,056,721</u>

The allocations of certain categories of expenses attributable to more than one program or supporting function are based on the allocation of time for each CEF employee to that program activity or supporting activity.

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Note 12. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024, 2023, and 2022, comprise the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,565,585	\$ 6,698,024	\$ 9,665,477
Certificates of deposit and investments	86,618,411	84,256,276	102,482,658
Loans receivable (maturing in one year)	45,329,074	21,328,974	20,199,851
Accrued interest receivable	746,356	758,740	770,190
Subtotal	140,259,426	113,042,014	133,118,176
Less Board-designated endowment funds	11,856,674	11,129,589	8,105,323
Less commitments to originate loans	1,799,000	7,313,000	5,059,000
Less unused lines of credit	10,681,000	8,482,000	7,738,000
Total	<u>\$ 115,922,752</u>	<u>\$ 86,117,425</u>	<u>\$ 112,215,853</u>

The table above excludes certificates of deposits and investments held within the Board-designated endowment fund (see *Note 10* for further details on the Board-designated endowment fund). The Board of Trustees could elect to undesignate all of these assets in the endowment fund if CEF had a liquidity need.

As part of CEF's liquidity management, CEF invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, CEF has a committed line of credit in the amount of \$3,500,000 which it could draw upon. The use of this line of credit is generally restricted to the extent that CEF is in need of liquidity to fund program-related obligations (see *Note 7* for further details on CEF's line of credit).

Note 13. Credit Risk

Most of CEF's business activity is with customers located within the state of Michigan and other Lutheran Church – Missouri Synod ministries. Therefore, CEF's exposure to credit risk is significantly affected by changes in the economy of the state of Michigan.

CEF's loans are made primarily to congregations and other Lutheran Church – Missouri Synod member based organizations. A large percentage of loans are made to churches. The repayment of loans by churches may affect CEF's ability to meet its obligations. In most instances, the ability of churches to repay their loans will depend upon the contributions they receive from their members. Both the number of members of a church and the amount of contributions may fluctuate. In addition, a church facility may be a single-purpose building and the marketability of such a specific facility may be limited, potentially diminishing the value of such collateral in the event of foreclosure. Finally, because of the relationship of CEF with its borrowers, CEF has in the past been willing under certain circumstances to accommodate late payments or to extend or otherwise modify the terms of a loan. Should borrowers not be able to repay their principal and interest as scheduled, CEF's ability to make principal and interest payments on its notes may be impaired.

Note 14. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in *Note 4*. Current vulnerabilities due to certain concentrations of credit risk are discussed in *Note 13*.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Investments

CEF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 15. Subsequent Events

Subsequent events have been evaluated through March 17, 2025, which is the date the financial statements were available to be issued.

PRIVACY NOTICE

Whether you are an investor in or borrower with Church Extension Fund, please know that we sincerely value you as our customer and are sensitive to your right of privacy. This notice describes the CEF's Privacy Policy. If our policies and procedures meet your expectations, there is nothing you need to do. This notice is for your information and in keeping with legislation or regulation enacted regarding this matter.

What You Should Know

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

This document describes CEF's policy with respect to nonpublic personal information, which means personally identifiable information about a customer's current or former relationship with CEF ("Customer Information").

Making the Security of Information a Priority

Keeping financial information secure is important. We value your trust and handle information about you with care. At CEF, we limit access to Customer Information to those persons who need to know the information to provide our products and services to you. CEF personnel and service providers that have access to Customer Information are required to maintain confidential treatment of this information.

We maintain physical, electronic and procedural safeguards that guard Customer Information. We periodically assess and employ new technology for protecting this information and upgrade our systems when appropriate.

Collecting Information

We collect and use various types of information in order to serve you better. This enables us to help you learn more about our products and services that may be of interest to you. We collect Customer Information from the following sources:

1. Information you provide to us on applications and through other means, such as your name, address, email, telephone number, social security number, etc.
2. Information about your transactions and account experience with us, such as account balance, loan payment history and account activity.
3. Information from a consumer reporting agency, such as information regarding your creditworthiness or credit history (this currently applies only to ExtensionPlus investors who have applied for or have a debit card) and banking information.
4. Information obtained from other sources such as congregation name, employer, insurer, etc.
5. Other general information we obtain about you, such as demographic information or information required by applicable law.

6. The CEF mobile application requests access to information stored on your device such as location, camera, contacts, or other features you are enrolled in to enrich and simplify your user experience and improve our services, as well as provide additional security to protect your account.

Disclosure of Customer Information

Although we do not share Customer Information with outside marketers, we do share information in certain circumstances in an effort to provide you with greater convenience and more choices regarding our products and services, and also as permitted by law.

Sharing Information with Entities that Work for CEF

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

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

Disclosing Information in Other Situations

We may also disclose Customer Information (i) to credit reporting agencies or similar organizations, (ii) when required by law, or (iii) to facilitate important operations. For example, this may include:

- A court order such as a subpoena, garnishment, or similar legal process.
- A fraud investigation.
- Recording of deeds, mortgages and other legal documents which become a matter of public record.
- An audit or examination.

Government Regulation

In order to comply with applicable governmental regulation, CEF may require additional information to verify an investor's identity and disclose the same to government agencies as required by law.

Making Sure Information is Accurate

Keeping your account information accurate and up to date is very important. You will have access to certain information through various means such as account statements and online statements. It is necessary that you keep us informed of any changes in your personal information such as change of address, name change, etc. You may request access to and correction of your information by contacting *Church Extension Fund, 3773 Geddes Road, Ann Arbor, MI 48105-3098*. If you have questions, you may also contact us by calling 800-242-3944 (toll-free) during normal business hours.

CEF Investor Application – Rules and Regulations

Individual Investors

A. Checkwriting Agreement Terms & Conditions – ExtensionPlus Account

CEF has entered into an agreement with UMB Bank of Kansas City, Missouri, for the servicing of the check writing features of the ExtensionPlus Account. Each person (an “Applicant”) signing an application certifies that his or her signature thereon represents such Applicant’s legal signature. Each Applicant guarantees the genuineness of any other Applicant’s signature appearing thereon. Church Extension Fund (“CEF”), from which Applicant’s checks are to be paid, and UMB Bank, n.a. or its bank affiliates (collectively, the “Bank”) and any of their successors are authorized to recognize such signature in the payment of checks, drafts and other instruments (“Checks”) against Applicant’s investment account (“Account”), **any one (1) of the signatures, standing alone, being sufficient.**

Each Applicant agrees to be bound by the Terms and Conditions for Checkwriting (the “Terms”), which may be forwarded to Applicant by Bank from time to time. The Terms may be amended by the Bank, and shall be binding on Applicant and the Account when an Applicant receives notice of any such changes. Each Applicant hereby appoints the Bank as Applicant’s agent for purposes of this Checkwriting Account Agreement. The Bank is authorized, upon the presentment of Checks or other electronic debits drawn on the Account (collectively, “Debits”), to transmit such Debits to CEF or its Transfer Agent (as appropriate) as redemption requests to the Account in an amount sufficient to pay such Debits, and to affect their payment. Applicant agrees that Bank may honor electronic payments to or from the Account as authorized by Applicant, when such payments are processed in accordance with law and the applicable payment system rules. Applicant agrees that the Account is subject to the applicable terms and restrictions, including charges for checkwriting and payment processing services, as set forth in the current Offering Circular or in a separate fee schedule.

Applicant agrees that payments made from the Account under this Checkwriting Account Agreement are governed by the laws, including the Uniform Commercial Code, as enacted in the State of Missouri, as amended from time to time. Applicant consents to the jurisdiction of the state or federal courts in Missouri over any dispute or claim arising out of the provision of checkwriting or other payment services under this Agreement. Applicant agrees to examine the statement for the Account promptly. **Applicant agrees to report any claim that a Check or other payment made from the Account was forged, altered, or otherwise not authorized within thirty (30) days of receipt of the statement by any account holder. Failure to notify CEF or the Bank within that time will preclude any claim against CEF and the Bank by reason of any unauthorized or missing signature, alteration, or error of any kind.** In the event CEF or the Bank is deemed liable for any unauthorized payment or any failure to honor a stop payment order that has been properly given, such liability shall not exceed the face amount of the Check or other payment improperly made.

B. VISA® Check Card Agreement & Application – ExtensionPlus Account

CEF has entered into an agreement with UMB Bank of Kansas City, Missouri, for the servicing of check card features of the ExtensionPlus Account. Twenty-four hour customer service is provided by UMB Bank for lost or stolen check cards by telephoning their toll-free number: 800-449-9176. Each person signing the application (an “Applicant”) for a VISA® Check Card (a “Card”) applies to UMB Bank n.a. (the “Bank”) for a Card. Each Applicant understands that the application for a Card is subject to approval by Bank. By submitting this request for a Card, each Applicant authorizes Bank to obtain a credit report on Applicant in connection with this application and from time to time after Applicant receives a Card to verify that Applicant continues to qualify for the Card. Bank may inquire as to the credit, investments and employment history of each Applicant. If this request is approved by Bank and a Card is issued, each Applicant understands that the Card(s) will be mailed to Applicant accompanied by an agreement (the “Cardholder Agreement”) setting forth the terms and conditions governing the Card. Applicant understands and agrees that the Card and use of the Card will be governed by the Cardholder Agreement, as amended by the Bank from time to time. Each time an Applicant uses a Card, Applicant authorizes liquidation of assets in the related investment account, so that transactions are settled and Bank receives the proceeds of such liquidations. Applicant understands that the Card is made available solely for the purpose of enabling Applicant to access the proceeds of the related investment assets, and does not involve any extension of credit. This authorization may be terminated by either Bank or by an Applicant by written notification. Applicant understands that Applicant will be responsible for the amount of any transactions authorized by an Applicant, whether or not the transactions have been debited from the related investment account as of the date of such termination. Applicant understands and agrees that Bank may provide information about the Card and Applicant’s use of Card to Church Extension Fund, or other service providers, in order to process Card transactions or otherwise provide Card services.

C. Pay On Death Beneficiary Designation - Information

Completion of the 'Pay on Death Beneficiary Designation' portion of the Application allows the owner(s) of a Note issued by Church Extension Fund to name one or more beneficiaries (including individuals, congregations, ministries or any other charities) to whom the Note will be transferred at the death of the owner(s). The following information is offered to assist you in making a beneficiary designation for your Note.

- If only one beneficiary is named, the named beneficiary will be entitled to the Note on the death of the owner (or on the death of the last owner to die if the Note is jointly owned).
- If more than one beneficiary is named, the beneficiaries will, at the death of the owner(s), be entitled to that percentage of the Note designated by the owner(s).
- If a named beneficiary dies before the owner(s), the surviving beneficiaries will, at the death of the owner(s), be entitled to the deceased beneficiary's share of the Note in the proportion that the surviving beneficiaries designated shares bear to each other.
- If all named beneficiaries die before the owner(s), then at the death of the owner(s), the Note will be transferred to the last surviving owner's estate.
- This payable on death feature is available only for individual and joint accounts: NOT for custodial accounts, trusts or corporations.
- If you are naming a beneficiary for an existing record certificate, you must return the original certificate.
- Please review the instructions below. The 'Pay on Death Beneficiary Designation' portion of the Application is OPTIONAL, and need not be completed unless you desire that the proceeds of this Note be paid to others upon the death of the owner(s) of the Note.

D. Pay On Death Beneficiary Designation - Instructions

- Individuals who hold Notes in their own names, as distinct from owning such in a Trust, may name one or more beneficiaries to receive the proceeds of the Note upon their death. This is unnecessary if the Note is held in the name of a Trust, as the Trust itself governs ownership upon death.
- To make the designation, all owners of the Note must sign the Application or else the designation will not be effective.
- If the spouse of any owner is not also an owner of the Note, that spouse must complete the Spousal Consent portion of the Application.
- If you wish to name more than two beneficiaries, please attach an additional page to your Application that provides the required information for each additional beneficiary.
- Beneficiaries may be changed or revoked in writing by the owner(s) at any time.
- Naming beneficiaries does not affect the owner's right to interest payments or to redeem the Note at maturity.

E. Joint Ownership.

Ownership of Notes by more than one owner is joint with full rights of survivorship, and not as tenants in common. Interest is reported to the IRS using the Social Security number of the first owner listed. Any owners listed on the account are entitled to withdraw funds.

F. Minor with Custodian.

Ownership of Notes may be for a minor's benefit when it is desired that a Custodian will have full control and custody of the account but where the earnings are reported under the minor's social security number. Only a Custodian may withdraw funds from the account.

Congregation and Organizational Investors

A. Checkwriting Agreement Terms & Conditions – ExtensionPlus Account

CEF has entered into an agreement with UMB Bank of Kansas City, Missouri, for the servicing of the check writing features of the ExtensionPlus Account. The signatures appearing in the Application authorizes the redemption of funds through check writing on behalf of the congregation or other eligible entity described in the Application. The signatory(ies) further authorize such organization to be subject to these Check Writing Terms and Conditions contained herein, the Check Writing Rules accompanying the initial supply of checks, and to charges set forth in CEF's current Offering Circular for each CEF ExtensionPlus Account Certificate. Each signatory guarantees the genuineness of the signature(s). I/We understand that CEF's approval of my ExtensionPlus Account is not an FDIC insured bank deposit account.

By this action, UMB Bank, and its affiliates, (the "Bank") is hereby appointed agent by the person(s) signing the Application for the congregation or the eligible entity (the "Investor[s]") and, as agent is authorized and directed upon presentment of checks to the Bank to transmit such checks to CEF as requested to redeem amounts invested in the ExtensionPlus Account. Additional amounts added to the ExtensionPlus Account by check may require seven days written notice of an intended redemption and may require that invested funds not be redeemed for up to seven days.

Bank is further authorized to effect redemptions to defray the Bank's charges relating to this checking arrangement. The investor(s) agrees he/she is subject to the rules, regulations and laws governing check collection including the Uniform Commercial Code as enacted in the State of Missouri as amended from time to time; the Bank has the right not to honor checks presented to it, the Bank and CEF have the right to change, modify or terminate the check writing arrangement at any time; the Bank shall be liable only for its own negligence.

B. VISA® Check Card Agreement & Application – ExtensionPlus Account

CEF has entered into an agreement with UMB Bank of Kansas City, Missouri, for the servicing of check card features of the ExtensionPlus Account. Twenty-four hour customer service is provided by UMB Bank for lost or stolen check cards by telephoning their toll-free number: 800-449-9176. By submitting this application for a VISA® Check Card (a "Card"), I ("I" or "me" refers to all applicants for a Card, whether one or more) apply to UMB Bank n.a. ("Bank") for a Card as outlined herein. I understand that approval of my Card is subject to verification and investigation by Bank. By submitting this request for a Card, I authorize Bank to obtain a credit report in connection with this application and from time to time after I receive a Card to verify that I continue to qualify for the Card. Bank may inquire as to the credit, investments and employment history of each person submitting this application.

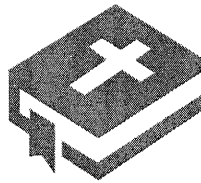
If this request is approved by Bank and a Card is issued, I understand that the Card will be sent to me accompanied by an agreement setting forth the terms and conditions governing my Card. I understand and agree that the Card and use of the Card will be governed by the agreement accompanying the Card. I understand that Bank will retain the application whether or not it is approved.

By signing this application for a Card, I certify that the information provided in this application is true and correct. Upon issuance of a Card, I authorize the transfer agent to order liquidations of assets to be made so that transactions are settled and Bank receives the proceeds of such liquidations. I understand that the Card is made available solely for the purpose of enabling me to access the proceeds of my investment assets and does not involve any extension of credit. This authorization may be terminated by either Bank or me by written notification. I understand that I will be responsible for the amount of any transactions authorized by me that may not have been debited from my investment account as of the date of such termination.

I understand and agree that Bank may provide information about my Card and the use of my Card to Church Extension Fund, or other service providers, in order to process Card transactions or otherwise provide Card services.



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This year, keep 10% of your church's investments at **CEF**.

It's good stewardship and it helps build churches!



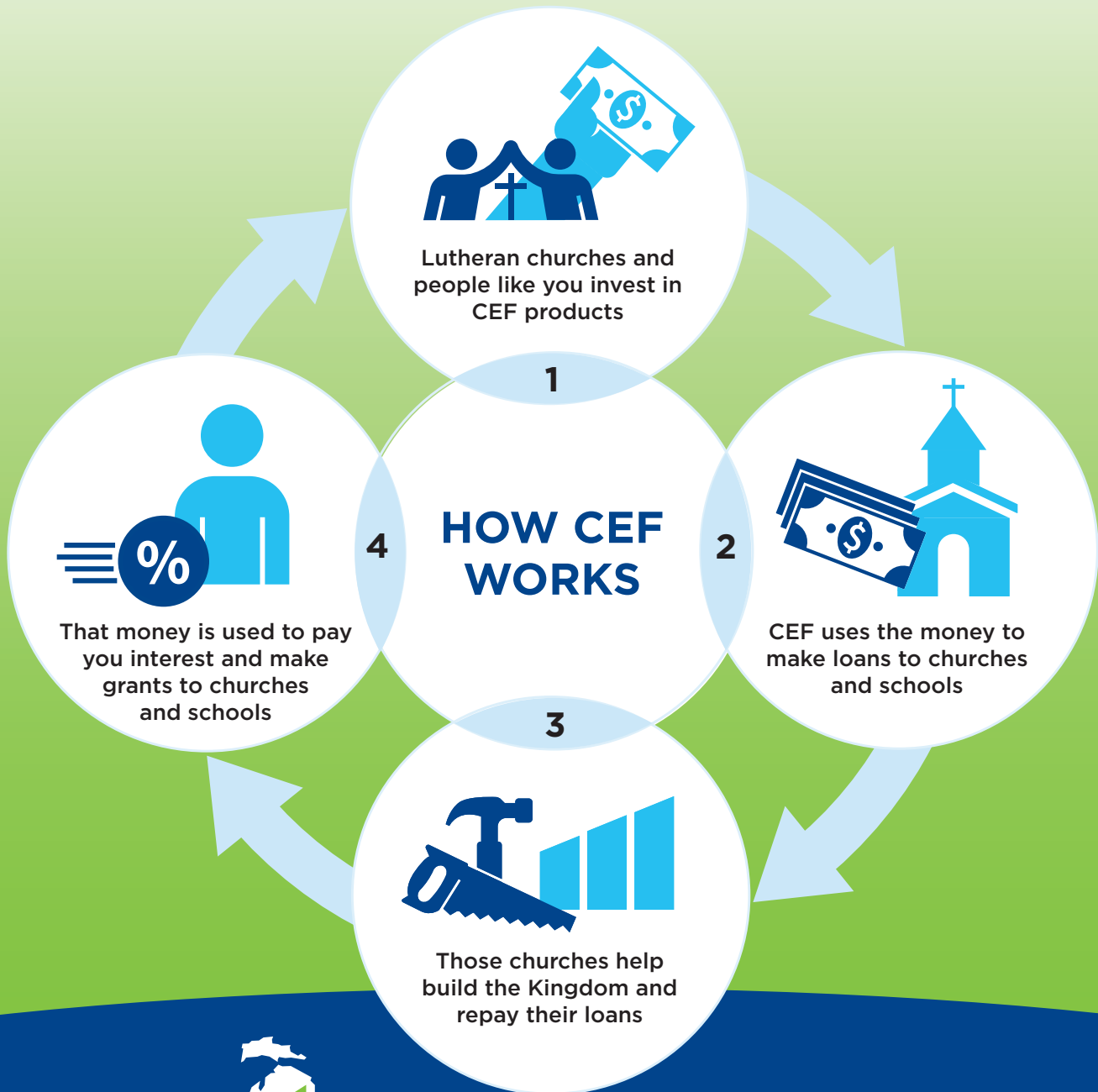
Church Extension Fund

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The information provided here is not an offer to sell or a solicitation of an offer to buy CEF securities. The offering of CEF securities is made solely by our Offering Circular. CEF will offer and sell our securities only in states where authorized. The securities are subject to certain risk factors as described in our Offering Circular. CEF investments are not insured by the FDIC, SIPC, or any other governmental agency.

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When you invest your money with Church Extension Fund, you are doing more than earning competitive returns on your money — you also are building and expanding Lutheran churches, schools and mission work. Your investments provide the resources needed to help build God's kingdom!



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