

**WISCONSIN EVANGELICAL LUTHERAN SYNOD
KINGDOM WORKERS, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



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**WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
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YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc.
Waukesha, Wisconsin

We have audited the accompanying financial statements of Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc. (a Wisconsin corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

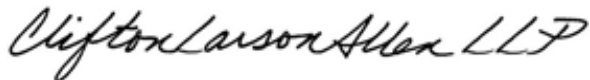
Board of Directors
Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc. as of December 31, 2019, 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.

Prior Year Summarized Financial Information

We have previously audited Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2019. In our opinion, the summarized financial information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 23, 2020

FINANCIAL STATEMENTS

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH TOTAL AS OF DECEMBER 31, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 439,184	\$ 639,332
Contributions and Grants Receivable	142,500	460,000
Other Receivables	14,700	13,763
Investments	1,172,726	900,110
Prepaid Expenses	<u>66,220</u>	<u>44,310</u>
Total Current Assets	1,835,330	2,057,515
PPROPERTY AND EQUIPMENT, Net	<u>179,922</u>	<u>174,687</u>
Total Assets	<u>\$ 2,015,252</u>	<u>\$ 2,232,202</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,311	\$ 21,582
Current Portion of Straight-Line Lease Obligation	3,357	1,990
Current Portion of Capital Lease Obligation	8,054	4,782
Deferred Revenue	22,600	11,900
Other Liabilities	<u>6,777</u>	<u>5,559</u>
Total Current Liabilities	68,099	45,813
NONCURRENT LIABILITIES		
Straight-Line Lease Obligation, less Current Portion	34,389	37,746
Capital Lease Obligation, less Current Portion	<u>18,669</u>	<u>8,132</u>
Total Noncurrent Liabilities	53,058	45,878
Total Liabilities	121,157	91,691
NET ASSETS		
Without Donor Restrictions	1,385,211	1,115,618
With Donor Restrictions	<u>508,884</u>	<u>1,024,893</u>
Total Net Assets	1,894,095	2,140,511
Total Liabilities and Net Assets	<u>\$ 2,015,252</u>	<u>\$ 2,232,202</u>

See accompanying Notes to Financial Statements.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED TOTAL FOR YEAR ENDED DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
SUPPORT AND OTHER REVENUE				
Contributions and Grants	\$ 2,120,775	\$ 484,999	\$ 2,605,774	\$ 2,651,076
Contributions and Grants Promised	-	142,500	142,500	460,000
Convention Sponsors and Grants	-	-	-	3,070
Donated Services	20,169	51,701	71,870	90,659
Investment and Interest Income	175,226	-	175,226	(60,041)
Other Income	15,902	-	15,902	47,313
Gain on Disposal of Property and Equipment	128	-	128	-
Net Assets Released from Donor Restrictions	1,195,209	(1,195,209)	-	-
Total Support and Other Revenue	<u>3,527,409</u>	<u>(516,009)</u>	<u>3,011,400</u>	<u>3,192,077</u>
EXPENSES				
Program Services	2,403,282	-	2,403,282	2,165,907
Supporting Activities:				
Management and General	348,999	-	348,999	449,426
Fundraising	505,535	-	505,535	399,593
Total Expenses	<u>3,257,816</u>	<u>-</u>	<u>3,257,816</u>	<u>3,014,926</u>
CHANGE IN NET ASSETS	269,593	(516,009)	(246,416)	177,151
Net Assets - Beginning of Year	<u>1,115,618</u>	<u>1,024,893</u>	<u>2,140,511</u>	<u>1,963,360</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,385,211</u></u>	<u><u>\$ 508,884</u></u>	<u><u>\$ 1,894,095</u></u>	<u><u>\$ 2,140,511</u></u>

See accompanying Notes to Financial Statements.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED TOTAL FOR YEAR ENDED DECEMBER 31, 2018)

	Program Services	Supporting Activities		2019	2018
		Management and General	Fundraising		
Salaries and Wages	\$ 1,146,495	\$ 171,514	\$ 190,876	\$ 1,508,885	\$ 1,320,765
Employee Benefits	342,972	51,468	52,490	446,930	381,127
Contracted Services	181,120	15,985	61,164	258,269	218,647
In-kind Services	25,011	5,446	1,613	32,070	90,659
Travel, Meals, and Entertainment	299,541	31,041	51,133	381,715	303,097
Office Supplies	68,268	14,942	50,746	133,956	217,265
Facilities and Equipment	71,432	24,344	5,677	101,453	116,280
Communications	23,984	5,861	4,952	34,797	32,272
Fees	41,518	16,460	18,220	76,198	73,900
Advertising and Promotions	48,683	338	65,055	114,076	33,294
Depreciation	46,879	7,096	2,033	56,008	61,754
Insurance	29,107	3,691	1,329	34,127	26,874
Program Supplies	76,285	24	20	76,329	117,373
Miscellaneous	1,987	789	227	3,003	21,619
Total Functional Expenses	\$ 2,403,282	\$ 348,999	\$ 505,535	\$ 3,257,816	\$ 3,014,926

See accompanying Notes to Financial Statements.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH TOTAL FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (246,416)	\$ 177,151
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	56,008	61,754
Gain on Disposal of Property and Equipment	(128)	-
Donations of Property and Equipment	(39,800)	-
Net Loss (Gain) on Investments	(150,009)	160,531
Changes in Operating Assets and Liabilities:		
Contributions and Grants Receivable	317,500	(432,000)
Other Receivables	(937)	(5,563)
Prepaid Expenses	(21,910)	(20,063)
Accounts payable	5,729	(39,814)
Deferred revenue	10,700	11,900
Straight-Line Lease Obligation	(1,990)	39,736
Other Liabilities	1,218	(430)
Net Cash Used by Operating Activities	(70,035)	(46,798)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(68,853)
Purchase of Investments	(771,461)	(103,301)
Sale of Investments	648,854	420,000
Net Cash Provided (Used) by Investing Activities	(122,607)	247,846
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Capital Lease Obligation	(7,506)	(6,876)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(200,148)	194,172
Cash and Cash Equivalents - Beginning of Year	639,332	445,160
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 439,184	\$ 639,332
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash Equipment Addition with Capital Lease	\$ 21,910	\$ -
Capital Lease Payments Waived with Return of Equipment	\$ 595	\$ -
Noncash Property and Equipment Addition from Donation	\$ 39,800	\$ -

See accompanying Notes to Financial Statements.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc. (Organization, we, us, our) is a nonprofit organization whose mission is to share the gospel of Jesus Christ with all people. We serve individual church members, congregations, and communities in the United States of America and abroad by providing support and training volunteers for various mission and outreach ministry needs and opportunities. We work through multiple ministry programs and are primarily supported through contributions and grants. Approximately 56% of our contributions and grants for the year ended December 31, 2019 were from three contributors.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

We carry investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis for measurement. Unrealized gains and losses are included in change in net assets in the statement of activities.

Property and Equipment

All acquisitions and improvements of property and equipment in excess of \$5,000 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Deferred Revenue

Fees received in advance for upcoming events are recorded as liabilities. The fees will be recognized as revenue in the period the event occurs. Costs incurred related to upcoming events are included in prepaid expenses until the event occurs.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment and various programs.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

We recognize contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At December 31, 2019, no contributions were conditional.

Investment Income

Investment income and gains on assets restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Donated Services and In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by us. Donated goods and services recognized as revenue for the year ended December 31, 2019 was \$71,870. The corresponding expense is shown in the statement of functional expenses as in-kind services for \$32,070. These amounts are included in program services for \$25,011 and management and general for \$5,446. A vehicle valued at \$39,800 was received and capitalized in 2019. In addition to the services recognized as revenue, we had numerous volunteers that provided services throughout the year that have not been recognized as contributions in the financial statements since the recognition criteria were not met. We had 1,773 volunteers during the year ended December 31, 2019 that contributed to carrying out the valuable mission of the Organization.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc. is organized as a Wisconsin nonprofit corporations and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in Internal Revenue Code (IRC) Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi), and have been determined not to be a private foundation under IRC Sections 509(a)(1). The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the finance committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

For the year ended December 31, 2019, we adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Our financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact our reported historical revenue. Our main revenue stream is scoped out of Topic 606.

We also adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional.

Subsequent Events

We have evaluated subsequent events through April 23, 2020, the date the financial statements were available to be issued, and have identified the following event:

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc.'s investments experienced declines in equity markets and could experience significant declines in contributions and grants in 2020. Management believes Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc. is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 439,184
Contributions and Grants Receivable	92,500
Other Receivables	14,700
Investments without distribution restrictions	688,601
Less: Board Designated Funds	(190,396)
Less: Donor Restrictions	(436,569)
Total	<u>\$ 608,020</u>

It is our policy that investment funds will be invested in a manner that allows for access to funds in a reasonable time period.

In addition to the financial assets listed above, we also have endowment funds in the amount of \$484,125. These funds are subject to annual disbursement restrictions and have a component of donor restrictions, as described in Note 7. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our finance committee's approval), these amounts could be made available, if necessary.

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The following are the major categories of assets measured at fair value on a recurring basis as of December 31, 2019.

	Fair Value Measurements at Report Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money Market Funds	\$ 85,639	\$ -	\$ -	\$ 85,639
Church Extension Fund (CEF)				
Saving Certificates	-	8,130	-	8,130
Equities Mutual Funds:				
Domestic	438,289	-	-	438,289
International	176,023	-	-	176,023
Fixed Income Securities:				
Corporate Bonds	-	464,645	-	464,645
Total	\$ 699,951	\$ 472,775	\$ -	\$ 1,172,726

NOTE 4 INVESTMENTS

Investments consist of the following at December 31, 2019

Cash and Equivalents	\$ 85,639
Church Extension Fund (CEF) Saving Certificates	8,130
Equities Mutual Funds:	
Domestic	438,289
International	176,023
Corporate Bonds	464,645
Total	\$ 1,172,726

Investment income (loss) for the year ended December 31, 2019 consists of the following:

Net Realized and Unrealized Loss	\$ 150,009
Interest and Dividends	30,370
Investment Administration Fees	(5,153)
Total	\$ 175,226

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019:

Vehicles and Trailers	\$ 315,934
Office Furniture and Equipment	59,086
Computer Hardware and Software	23,317
Subtotal	<u>398,337</u>
Less: Accumulated Depreciation	218,415
Total Property and Equipment, Net	<u><u>\$ 179,922</u></u>

NOTE 6 LEASES

The Organization leases office and storage space under an operating lease, and vehicles and equipment under various capital leases expiring at various dates through 2024.

<u>Year Ending December 31,</u>	Capital Leases	Operating Leases
2020	\$ 10,557	\$ 72,355
2021	10,557	73,749
2022	6,527	75,171
2023	5,721	76,622
2024	477	78,101
Thereafter	-	52,734
Total Minimum Lease Payments	<u>33,839</u>	<u>\$ 428,732</u>
Less: Amount Representing Interest	(7,116)	
Capital Lease Obligation	<u><u>\$ 26,723</u></u>	

Rent expense for the year ended December 31, 2019 totaled \$80,163.

Leased property under capital leases at December 31, 2019 includes the following:

Copier	\$ 21,910
Phone System	18,286
Subtotal	<u>40,196</u>
Less: Accumulated Amortization	(12,245)
Total	<u><u>\$ 27,951</u></u>

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 7 ENDOWMENT

Our endowment (the Endowment) consists of funds established by the board of directors and some donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the board of directors.

Our board of directors has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019, none of the endowment was considered to be underwater.

Investment and Spending Policies

The investment and spending policies for endowment assets are intended to provide a consistent source of funding to specific programs while maintaining a reasonable rate of return on endowment assets over the long-term. Endowment assets are invested in a well-diversified portfolio, which consists of cash, bonds and equity securities.

Expenditures from endowment funds are determined annually based on an approved percentage of the fair market value of the funds. The fair market value of the Endowment is determined by averaging the value of the Endowment on December 31 for the past three years. Investment income is credited to the endowment corpus. Annual distributions may not exceed actual amounts expended by the Organization in connection to the working capital needs of the Organization, and shall consist of at least 3% to 5% of the average value of the fund over a fiscal year ending December 31. Upon approval of the board of directors, if current organizational funding is sufficient and endowment funding is not expected to be needed during the year, an annual disbursement is not required. If the income in any year exceeds the minimum threshold amount, all income may be expended in accordance with donor restrictions.

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 7 ENDOWMENT (CONTINUED)

Investment and Spending Policies (Continued)

Changes in Endowment net assets for the years ended December 31 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets at Fair Market Value, Beginning of Year	\$ 346,447	\$ 12,940	\$ 359,387
Contributions	39,925	9,375	49,300
Interest and Dividends	9,402	-	9,402
Realized and Unrealized Gain	67,826	-	67,826
Net Assets Released from Restrictions	<u>(1,790)</u>	<u>-</u>	<u>(1,790)</u>
Endowment Net Assets at Fair Value, End of Year	<u>\$ 461,810</u>	<u>\$ 22,315</u>	<u>\$ 484,125</u>

NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net Assets without donor restrictions consist of the following at December 31, 2019:

Net Assets without Donor Restrictions	
Board Designated:	
Contribution Matching	\$ 9,552
Endowment	461,810
Evaluation	58,312
Founders	26,311
Reserve	79,860
Leadership Development	16,361
Designated for Property and Equipment	179,922
Undesignated	<u>553,083</u>
Total Net Assets Without Donor Restrictions	<u>\$ 1,385,211</u>

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2019:

Net Assets with Donor Restrictions	
Purpose Restrictions:	
Apache Missions	\$ 67,117
Builders For Christ	133,516
Malawi Missions	25,697
Mission Worker Development	15,713
Southeast Asia Missions	19,860
Zambia Missions	482
Regional Mission Teams (RMT)	12,692
Other Missions	68,992
Time Restriction	
Contributions and Grants Receivable	142,500
Endowment	
Donor Restricted Contributions	<u>22,315</u>
 Total Net Assets with Donor Restrictions	 <u><u>\$ 508,884</u></u>

NOTE 10 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and office use, which are allocated on the basis of estimates of time and effort performed by department heads.

NOTE 11 EMPLOYEE BENEFITS

We have a 403(b) plan called the Shepherd Plan. The plan covers all of our employees. We match 50% of an individual's contributions up to a contribution by that individual of 6%. Total expense for the retirement plan in 2019 was \$31,233.

ADDITIONAL INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY
INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc.
Waukesha, Wisconsin

We have audited the financial statements of Wisconsin Evangelical Lutheran Synod Kingdom Workers, Inc. as of and for the year ended December 31, 2019, and our report thereon dated April 23, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Expense Summary - Malawi and the Cash Basis Statement of Activities which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 23, 2020

SUPPLEMENTARY INFORMATION

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
EXPENSE SUMMARY – MALAWI
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

PAYROLL EXPENSES

Salaries and Wages	\$	82,918
Payroll Taxes		4,966
Insurance		18,871
Other Benefits		10,430
Total Payroll Expenses		117,185

GENERAL EXPENSES

Contractors		6,111
Donated Time		5,137
Travel, Meals, and Meetings		37,098
Office Supplies		4,436
Facilities and Equipment		10,616
Phones, Internet, and Communications		3,704
Permits and Fees		2,506
Advertising		16
Depreciation		15,323
Insurance		7,847
Program Supplies		14,124
Total General Expenses		106,918
Total Malawi Expenses	\$	224,103

WISCONSIN EVANGELICAL LUTHERAN SYNOD KINGDOM WORKERS, INC.
CASH BASIS STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

OPERATING SUPPORT AND OTHER REVENUE

Contributions and Grants	\$ 3,065,774
Other Income	14,965
Total Operating Support and Other Revenue	3,080,739

OPERATING EXPENSES

Salaries and Wages	1,501,182
Employee Benefits	444,648
Contracted Services	256,951
Travel, Meals, and Entertainment	381,551
Office Supplies	132,007
Facilities and Equipment	100,769
Communications	34,279
Fees	76,020
Advertising and Promotions	113,687
Insurance	33,841
Program Supplies	76,155
Miscellaneous	2,613
Total Operating Expenses	3,153,705

SUB-TOTAL - OPERATING NET INCOME

(72,966)

NONOPERATING REVENUE AND EXPENSE

Investment and Interest Income	25,217
Gain on Disposal of Assets	128
Total Nonoperating Revenue and Expense	25,345

CASH BASIS CHANGE IN NET ASSETS

\$ (47,621)

