



WELS Church Extension Fund
Wisconsin Evangelical Lutheran Synod



OFFERING CIRCULAR 2023–2024

Where investing in your future builds churches

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\$70,000,000
October 15, 2023 - October 14, 2024
OFFERING

We—WELS Church Extension Fund, Inc. (sometimes “WELS CEF” or “CEF”)—are offering up to \$70,000,000 in unsecured debt securities (the “Certificates”). We offer three types of Certificates – Investment Certificates, Savings Certificates and Retirement/IRA Certificates. The Certificates pay interest at rates set from time to time according to the policies set forth under “Description of Certificates” starting on page 24. Our Savings Certificates are payable on demand and earn interest at a rate that varies periodically. Our Investment Certificates are payable only at maturity and earn interest at the rate in effect when purchased or renewed. Our Retirement/IRA Certificates are payable at maturity (or as necessary to satisfy required minimum distributions) and earn interest at the rate in effect when purchased or renewed. The interest rates set forth on the enclosed rate sheet are current as of the date we sent you this Offering Circular. You may also call us or visit our website (www.wels.net/cef) for current interest rates.

INVESTMENT CERTIFICATES (Term)	
Maturity	Any period from six (6) months to seventy-two (72) months, as may be offered by WELS CEF from time to time
Minimum Investment	\$500 minimum investment required, except that higher minimums may be required for certain terms and interest rates
Interest rate adjustment	At time of maturity / renewal
Daily Interest accrual / paid	Quarterly
Early withdrawal penalty	Terms from 6 to less than 42 months the early withdrawal penalty is 180 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Terms greater than 42 months the early withdrawal penalty is 365 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Minimum penalty is seven (7) days of interest.
SAVINGS CERTIFICATES (Demand)	
Type	1 year
Minimum Investment	\$100, except that higher minimums are required for certain interest rates
Interest rate adjustment	Annually
Daily Interest accrual / paid	Quarterly
Early withdrawal penalty	None
RETIREMENT / IRA CERTIFICATES (Term)	
Maturity	A Statement Savings (demand) or an Investment Certificate (6 to 72 months) to be held in an Individual Retirement Account (IRA), subject to additional conditions, as may be offered by WELS CEF from time to time
Minimum Investment	\$5,000 for an IRA Investment Certificate, except that higher minimums may be required for certain terms and interest rates, \$100 Minimum for IRA Statement Savings
Interest rate adjustment	At time of maturity / renewal
Daily Interest accrual / paid	Quarterly
Early withdrawal penalty	Terms from 6 to less than 42 months the early withdrawal penalty is 180 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Terms greater than 42 months the early withdrawal penalty is 365 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Minimum penalty is seven (7) days of interest.
Custodian	TMI Trust Company

You may purchase a WELS CEF Certificate if you are an individual member of a WELS (Wisconsin Evangelical Lutheran Synod) congregation, a WELS congregation, or a WELS affiliated organization.

This Offering is not underwritten, and WELS CEF does not compensate any individual in connection with their participation in the offer or sale of Certificates by the payment of commissions or other remuneration based, directly or indirectly, on the offer or sale of the Certificates. We will bear all expenses incurred in the Offering, including securities registration fees, printing, mailing, accounting fees and attorney’s fees, which are anticipated to be approximately \$50,000. Accordingly, we will receive 100% of the proceeds from the sales of the Certificates to be used as described in “Use of Proceeds” on page 11.

THE CERTIFICATES 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.

THE CERTIFICATES 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 THE CERTIFICATES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THE CERTIFICATES 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 THE CERTIFICATES, 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 WELS CEF AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS AND RISKS INVOLVED.

THE CERTIFICATES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, SECURITIES INVESTOR PROTECTION CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE CERTIFICATES IS DEPENDENT UPON OUR FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW OUR FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, WELS, THE SYNOD OR ANY OTHER ENTITY.

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 WELS CEF.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH WELS 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.

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

**This Offering is subject to risks. A description of certain risks begins on page 4.
The date of this Offering Circular is October 15, 2023.**

ABOUT THIS OFFERING CIRCULAR

Date of Information. Unless another time is specified, the information in this Offering Circular is as of the date printed on the bottom of the previous page. You should not assume that this information is accurate as of any later date, as subsequent events may change the circumstances surrounding this Offering. We reserve the right to change our loan policies, investment policies and other policies and procedures at our discretion.

Consult Your Own Advisors. You should not rely on the contents of the Offering Circular or any other information from us as legal, investment or professional tax advice. For information about the legal, investment or tax consequences of investing in our Certificates, you should consult your own attorney, accountant or investment advisor.

Information not in this Circular. From time to time, we may distribute advertising materials through Synod churches, make audio and video presentations in these churches, publish advertisements in the Synod's national publications, and mail literature to potential investors. Our website (www.wels.net/cef) also has information about our Certificates, including their latest interest rates. We have **not**, however, authorized anyone to give any information or make any representations with regard to the offering of our Certificates other than those contained in this Offering Circular. Therefore, you should not rely on any information or representations that are contrary to the information in this Offering Circular.

STATE SPECIFIC INFORMATION

All statements in this Offering Circular are subject to the information set forth below.

California. WELS Church Extension Fund, Inc. will not create, incur, or voluntarily permit any material lien upon any of its assets or otherwise incur material indebtedness having a prior claim to its assets or otherwise senior to Certificates issued to California investors, except for (i) liens or charges for current taxes, assessments or other governmental charges which are not delinquent or which remain payable without penalty or the validity of which are contested in good faith; (ii) liens made to secure statutory obligations, surety or appeal bonds, or bonds for the release of attachments or for stay of execution; (iii) purchase money security interests for property hereafter acquired; or (iv) judgment liens. For purposes of this covenant, the term "material" shall mean an amount which equals or exceeds 10% of the tangible assets of WELS Church Extension Fund, Inc.

California and Oregon. Automatic renewal upon maturity of a Certificate, as provided in this Offering Circular (see page 26), is not available to California or Oregon residents. All investors will receive a maturity notice and a current Offering Circular within thirty days of the maturity date of each of their Certificates, and California and Oregon investors will have the opportunity to notify us if they intend to renew their investments. If you decide not to renew, you must send us your Certificate, if one was issued, to redeem your funds. If you neither renew nor return your Certificate, your funds will be treated and earn interest as if they are invested upon your Certificate's maturity in a Statement Savings Certificate, which is redeemable on demand without penalty.

Florida. The Certificates have not been registered with the Florida Division of Securities and Investor Protection. We are registered to sell our own securities as an Issuer/Dealer in Florida and the Certificates will be offered solely through our corporate officers and employees who are registered in Florida as Associated Persons.

Indiana. These are speculative securities. 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 this prospectus. Any representation to the contrary is a criminal offense.

Kentucky. These securities are offered pursuant to a claim of exemption from registration under KRS 292.400(9) of the Kentucky Securities Act.

Louisiana. These securities have been registered with the Securities Commissioner of the State of Louisiana. The Securities Commissioner, by accepting registration, does not in any way endorse or recommend the purchase of any of these securities.

Missouri. 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 PROSPECTUS. 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. In the event the Ohio holder of an Investment Certificate inadvertently allows such Certificate to automatically renew at maturity, WELS CEF will honor requests from that holder to redeem such Certificate after automatic renewal. If any communication to an Ohio holder is returned as undeliverable, on the five-year anniversary of the date a second communication to such holder is returned as undeliverable, Ohio law requires that the holder's funds be deemed unclaimed property and such funds shall be escheated to the State of Ohio.

South Carolina. Statement Savings Certificates are not available for sale in the state of South Carolina. The One Year Savings Certificates offered by this Offering Circular will not be payable on demand and may be redeemed by the investor before maturity only if approved by WELS CEF in its sole discretion based upon hardship or other conditions affecting the investor. If you were a resident of the state of South Carolina when you purchased a Certificate, you may declare an "event of default" on your Certificate only if one of the following occurs:

- We do not pay overdue principal and interest on the Certificate within thirty days after we receive written notice from you that we failed to pay the principal or interest when due; or
- A South Carolina resident who owns a Certificate of the "same issue" as your Certificate (i.e., the same type, term and offering) has rightfully declared an event of default as to his or her Certificate.

To declare an event of default, you must submit a written declaration to us. The rightful declaration of an event of default as to any one Certificate of an issue constitutes an event of default on the entire issue in South Carolina.

Upon a rightful declaration of an event of default on a Certificate:

- The principal and interest on your Certificate becomes immediately due and payable;
- If you request in writing, we will send you a list of names and addresses of all investors in the state of South Carolina who own a Certificate of the same issue as your Certificate; and
- The owners of 25% or more of the total principal amount of Certificates of the same issue

outstanding in the state of South Carolina can declare the entire issue in the state of South Carolina due and payable.

South Dakota. These securities are offered pursuant to a claim of exemption from registration under SDCL 47-31B-201(7)(B) of the South Dakota Securities Act. Neither the South Dakota Division of Insurance Division, 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.

Washington. Automatic renewal upon maturity of a Certificate, as provided in this Offering Circular (see page 26), is not available to Washington residents. All investors will receive a maturity notice and a current Offering Circular within thirty days of the maturity date of each of their Certificates, and Washington investors will have the opportunity to notify us if they intend to renew their investments. If you do not affirmatively renew your investment, your principal and interest will be returned to you upon maturity.

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Please see the enclosed rate sheet that sets forth the interest rates that are current as of the date we sent you this Offering Circular.

GLOSSARY

We use the following capitalized terms throughout the Offering Circular.

Certificates: Unsecured debt securities that we offer and sell to investors in this Offering.

EFT: Electronic Funds Transfer.

Home Missions: One of the areas of ministry of WELS, the Home Missions ministry establishes and provides assistance primarily to Congregations in the United States and Canada.

IRA: Individual Retirement Account.

IRC: Internal Revenue Code.

IRS: Internal Revenue Service.

Mission Congregation: A new or start-up WELS Congregation.

NASAA SOP – The North American Securities Administrators Association, Inc. Statement of Policy Regarding Church Extension Fund Securities adopted April 17, 1994 and amended April 18, 2004.

Offering: The offer and sale of Certificates made pursuant to this Offering Circular.

RMD: Required Minimum Distribution from an IRA pursuant to the IRC and related regulations.

Synod: WELS congregations and their members.

UTMA: The Wisconsin Uniform Transfers to Minors Act.

WELS: Corporate entity of the Wisconsin Evangelical Lutheran Synod.

WELS CEF or CEF: WELS Church Extension Fund, Inc.

WELS Congregation: A congregation or other religious organization affiliated with the Synod.

WIF: WELS Investment Funds, Inc., which is a Wisconsin charitable non-stock, not-for-profit corporation organized to provide, manage and administer investments for WELS, and congregations, agencies or other organizations affiliated with WELS.

World Missions: One of the areas of ministry of WELS, the World Missions ministry establishes and provides assistance primarily to new or start-up churches and seminaries outside of the United States, Canada and the Caribbean.

SUMMARY

This summary is provided for your convenience. Before investing, you should read the entire Offering Circular, including the risk factors, state specific information and the audited financial statements.

WELS CEF: We are a Wisconsin not-for-profit religious corporation established to make loans and grants to churches, WELS’s Home Mission ministry program and other institutions affiliated with the Synod. The IRS has ruled that we are exempt from federal income taxes under Section 501(a) of the IRC as an organization described in Section 501(c)(3) of the IRC. See “About Us” on page 9.

The Loan Program: Using funds from the sale of Certificates, we make loans to congregations or other religious organizations affiliated with the Synod. These loans are used for acquiring land, buildings and other ministry facilities, as well as construction. Our loan policies generally include the following:

- ✦ Mission Congregation Borrowers must meet the requirements of Home Missions prior to application
- ✦ Self Supporting Congregation Borrowers must meet the requirements of WELS CEF
- ✦ Loans secured by first mortgage
- ✦ Fixed interest rates
- ✦ Renewable 5-year terms
- ✦ Interest rates including the CEF lending rate are subject to change at the direction of the CEF Board of Directors.

We also have specific policies regarding loans for the purchase or construction of a parsonage or ministry facilities or educational facilities and for the purchase of land. See “Lending Activities” on page 13.

Matching Grant Program: Mission Congregations are eligible for matching grants on their down payment for initial

land and facility projects. See “Matching and Special Grant Program” on page 18.

Special Grants: The Board also may make special grants to Home Missions for land, facilities, and operations.

Certificates: We offer three basic types of Certificates, with the following key features. For more information on our Certificates, see “Description of Certificates” on page 24.

Investment Certificates

- ✦ Payable at maturity
- ✦ Fixed interest rate
- ✦ Interest paid or compounded quarterly
- ✦ Automatic renewal at maturity (except in certain states)
- ✦ Early redemption penalty

Savings Certificates

- ✦ Payable on demand (except in certain states)
- ✦ Interest paid or compounded quarterly on One Year Savings Certificates
- ✦ Interest is compounded monthly on Statement Savings Certificates

Retirement/IRA Certificates

- ✦ Payable at maturity
- ✦ Fixed interest rate
- ✦ Automatic renewal at maturity (except in certain states)
- ✦ Required Minimum Distribution (RMD) allowed to exceed annual interest earned
- ✦ TMI Trust Company serves as our designated third-party custodian for IRA Certificates

Summary Financial Information

As of June 30, 2023	For the Year Ended June 30, 2023
Assets	Change in net assets without donor restrictions \$ 6,154,175
Cash and cash equivalents \$ 18,790,190	Change in net assets with donor restrictions 2,298,578
Investments, at fair value 31,172,486	Total change in net assets \$ 8,452,753
Loans receivable, net* 169,829,869	Net operating cash flows \$ 7,852,740
Other assets 1,980,287	Net investing cash flows \$ 5,779,167
Total assets \$ 221,772,832	Net financing cash flows \$ (10,509,274)
Liabilities	Certificate sales \$ 7,136,456
Certificates payable \$ 93,585,569	Certificates redeemed \$ 19,018,376
Other liabilities 5,255,364	Certificate interest reinvested \$ 1,372,646
Total liabilities \$ 98,840,933	
Net assets \$ 122,931,899	

* As of June 30, 2023, there were no unsecured loans and \$32,273,654 of our loans, representing 18.46% of total loans, were impaired. All of these impaired loans are on nonaccrual status. We consider a loan to be delinquent if any payments on the loan are past due more than 60 days.

After you have read the Offering Circular, if you would like to purchase a Certificate, please complete, and sign an Investment Application attached as **Exhibit C** if you are an individual and **Exhibit D** if you are an organization and return it to us with a check payable to WELS CEF for the amount you want to invest or contact us for electronic payment options.

† Not FDIC or SIPC insured

† Not a bank deposit

† No WELS guarantee

RISK FACTORS

Your purchase of Certificates involves risks. Please carefully consider the following risk factors before deciding to purchase a Certificate.

This Offering Circular contains forward-looking statements about our plans, strategies, objectives, goals, intentions, beliefs, estimates, prospects, projections, outlook, and expectations. These forward-looking statements are identifiable by words or phrases indicating that we “expect,” “anticipate,” “project,” “plan,” “believe,” “may,” “estimate,” “foresee,” or “intend” that a particular event may or will occur in the future or similarly stated expressions. These forward-looking statements are not guarantees of future performance and are subject to many factors, including the risk factors below, some of which are beyond the control of WELS CEF. WELS CEF cautions that this listing of risk factors is not exhaustive, and you should carefully consider the other factors, uncertainties and potential events when reviewing the forward-looking statements. Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed by such forward-looking statements. We undertake no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this Offering Circular.

- 1. *The Certificates are unsecured debt obligations.*** The Certificates are unsecured general debt obligations of WELS CEF. As a holder of an unsecured debt obligation, you will have a claim on our assets equal to those of our other unsecured creditors, including our other Certificate holders. However, the claims of any secured creditors will have priority over your claim.
- 2. *The Certificates are not bank instruments, are not protected by SIPC, and are not FDIC insured.*** Our Certificates are not bank deposits. They are neither issued by, nor obligations of, a bank. Therefore, they are not FDIC insured. In addition, they are not protected by the Securities Investor Protection Corporation. Because our Certificates are not covered by such insurance or protection, you could lose your entire investment.
- 3. *The Certificates are not guaranteed by WELS.*** Although we may occasionally receive funds from WELS, its affiliates, and other entities or persons, neither WELS nor any of its affiliates, other entities or persons has guaranteed repayment of our Certificates. Therefore, funds are not available from WELS, its affiliates, other entities, or persons, even if we need them to make principal and interest payments on our Certificates. You must rely solely on WELS CEF for repayment.
- 4. *Certificates may be subordinated to future senior secured indebtedness.*** The Certificates we have issued in the past are also unsecured debt obligations. Therefore, your Certificate will be of equal rank with our previously issued Certificates. As of the date of this Offering Circular, we did not have any outstanding debt obligations of a greater priority than our Certificates. However, in the future, we may pledge assets as collateral for indebtedness we incur from a bank or otherwise. In this case, the secured lender will have the right to be paid from these pledged assets before you and the rest of our Certificate holders. Should we pledge any of our assets as collateral for a secured loan, it is our policy that the amount of pledged assets will not exceed 10% of our tangible assets on the date of the pledge. See “Description of Certificates—General Terms—Priority Relative to Other WELS CEF Debt” on page 25.
- 5. *We have not established a trust indenture.*** We have not established a trust indenture to provide for repayment of the principal amount of the Certificates, nor do we intend to. Therefore, no trustee will monitor our ongoing affairs on your behalf. There is no agreement to provide for joint action by investors if we default on the Certificates. In addition, except as provided by law, our failure to pay the interest or principal on one Certificate will not be a default on other Certificates. Finally, you will have none of the other protections a trust indenture might provide.
- 6. *We will not set up a sinking fund or escrow.*** We have not and do not intend to set up a sinking fund or escrow to help pay principal and interest on our Certificates. Accordingly, we do not have funds set aside specifically for their repayment and Offering proceeds will not be segregated from our other assets. Our ability to repay your Certificate will therefore be solely dependent on our financial condition and liquidity at the time the Certificate must be paid.

7. *Repayment of Certificates is dependent on the adequacy of cash flows.* To the extent that investors elect to redeem their Certificates at maturity or upon demand, WELS CEF must fund these redemptions, together with interest payments on the Certificates and other expenses, from our cash flows. WELS CEF relies significantly upon the principal and interest payments received from our borrowers to fund the interest payments and cash redemptions of Certificates. We also may utilize other sources of cash, including interest and dividends received, sale of real estate and investments and the issuance of Certificates or other borrowings, for this purpose. During the year ended June 30, 2023, we paid \$19,018,376 in Certificate redemptions and had \$1,710,674 in net interest payments. Our primary sources of cash flow for funding payments during the year ended June 30, 2023, including payments of principal and interest to our investors, were approximately \$19,772,244 in loan principal received, \$8,606,309 in income from interest payments received on our loans and other investment income, \$1,372,646 in Certificate interest reinvested, and \$897,714 in gifts, memorials, bequests and other receipts. We also sold \$7,136,456 in Certificates. For all other sources and uses of cash, see the Statement of Cash Flows in the audited financial statements included in Exhibit A to the Offering Circular. As of June 30, 2023, we had \$18,790,190 in cash and cash equivalents and \$31,172,486 in investments at fair value. If we were to experience a material increase in Certificate redemptions at maturity or on demand or a material decrease in cash provided from our activities, it could have a material adverse impact on the adequacy of our cash flows from sources other than new sales of Certificates to fund all redemptions and interest payments on outstanding Certificates.

8. *Our investment portfolio may fluctuate in value.* The fair value of our investment portfolio will fluctuate in response to a number of factors, including changes in economic conditions, changes in interest rates and changes in the national securities market's perception of the securities in our investment portfolio or in our investments with WIF. There can be no assurance that we will achieve our investment objectives since there is uncertainty in every investment. A majority of our long-term investments are currently in the WIF's Endowment Fund, which will go up and down in value. These investments may be subject to substantial fluctuations, some of which could be brought about by declining stock or bond prices. Downward fluctuations in our investments could have an adverse effect on our ability to make interest and principal payments on our Certificates. Although we seek to reduce risk by investing in diversified securities portfolios, such diversification does not eliminate all risks. See "Investment Activities" on page 19.

9. *Transfer of Certificates is strictly limited.* You may only transfer your Certificate with our approval, and only to a person who is qualified to purchase a Certificate in this Offering. See "Description of Certificates—General Terms—Transfer of Certificates" on page 25. Accordingly, no public market exists for the Certificates and none will develop. You should, therefore, view the purchase of a Certificate as an investment for its full term.

10. *You will have no right to participate in the management of WELS CEF.* Control of WELS CEF is exercised by its Board of Directors. You will not have voting rights or other rights to participate in the management of WELS CEF.

11. *Property securing our loans is special purpose property.* Property securing our loans is generally considered special purpose property and typically has a very limited market. If we were to foreclose on any real property securing a loan, we may not be able to sell the property at a price at least equal to the amount of the loan, which could have an adverse effect upon us and our ability to repay our Certificates when due.

12. *The value of property securing our loans could be less than appraised.* We have not always required appraisals on our collateral as part of the loan application process. Therefore, the fair value of a specific secured property could be less than we believe. Similarly, the amount outstanding with respect to a specific loan could exceed the fair value of the property securing it. We cannot assure you that the proceeds from a foreclosure sale of a mortgaged property will be adequate to fully repay a defaulted loan. See "Lending Activities—Loan Policies" on page 13.

13. *We cannot be compared to a commercial lender.* We may make loans to borrowers that typically cannot obtain financing from commercial sources. In addition, because of our relationship with our borrowers, we may accommodate partial, deferred, or late payments from some of our borrowers.

14. *The nature of our borrowers and economic conditions could affect our ability to pay Certificates.* We make loans primarily to WELS mission and established congregations, schools, and affiliate ministries. See "Lending Activities" starting on page 13 of the Offering Circular. Like most churches and not-for-profit entities, their ability to

repay us will depend primarily upon contributions they receive from their members. In addition, Mission Congregations are new or start-up congregations. Therefore, even more significantly than established congregations, the number of members and the amount of contributions of Mission Congregations may fluctuate. As of June 30, 2023, we had total loans receivable of \$174,806,345 and total impaired loans of \$32,273,654 or 18.46%, compared to 20.53% of loans as of June 30, 2022. Borrowers classified as “Impaired” reduced by 29% (from 14 to 10) in the fiscal year ending June 30, 2023.

Our average investment in impaired loans was \$33,660,472, \$33,051,810, and \$33,843,328, respectively, for the years ended June 30, 2023, 2022, and 2021. A material increase in impaired loans could adversely affect our ability to make timely interest and principal payments on our Certificates.

The collectability of loans is dependent upon the success of the borrower or the value of the property collateralizing them. The allowance for loan losses is maintained at a level considered adequate to provide for probable and inherent loan losses based on management’s evaluation of the anticipated impact on the loan portfolio of current economic conditions, changes in the character and size of the portfolio, past loan loss experience, the financial condition of the borrower, and other pertinent factors that management believes require current recognition in estimating probable loan losses. Beginning in the fiscal year ended June 30, 2020, a qualitative factor was added to the loan loss reserve calculation primarily as a result of current economic and environmental conditions including the COVID-19 pandemic. Specific reserves are established for any impaired loan for which the recorded investment in the loan exceeds the liquidation value of the loan, less estimated costs to sell. While management uses available information to estimate probable losses, future changes to the allowances may be necessary based on changes in economic conditions. At June 30, 2023, our loan loss allowance was \$4,976,476.

15. *Changes in state laws may affect your ability to invest in Certificates, and our ability to repay Certificates.*

While we intend to maintain all required registrations and exemptions in the states where we offer our Certificates for sale, we may not always be able to do that for a variety of reasons, including changes in state securities laws. If we are unable to maintain the appropriate registrations or exemptions in your home state, you may be unable to reinvest the proceeds of your Certificate, make additional investments in it, or purchase new Certificates. To the extent we are dependent on the proceeds of future sales of Certificates to repay outstanding Certificates, a decrease in the sale of Certificates would have a material adverse effect on our ability to repay the Certificates.

16. *You have no right to redeem an Investment Certificate before it matures.* We are not obligated to redeem Investment Certificates until they mature. Consequently, you may be unable to redeem your Certificate in the event of an emergency or for any other reason. If we choose to accommodate a request to redeem part or all of an Investment Certificate before it matures, we may assess a penalty. Our current early withdrawal penalty for investment terms from 6 to less than 42 months is 180 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Terms greater than 42 months the early withdrawal penalty is 365 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Minimum penalty is seven (7) days of interest. Our early redemption penalty is subject to change, without notice, at the sole discretion of the WELS CEF Board of Directors and its Investment Committee. See “Description of Certificates—Investment Certificates—Early Redemption” on page 27 and page 29.

17. *We have the right to redeem a Certificate at any time.* We may redeem any Certificate, in whole or in part, at any time upon 30 days’ prior written notice, without your consent. See “Description of Certificates—General Terms—Redemption of Certificates by Us” on page 25.

18. *Interest you earn on a Certificate is taxable as ordinary income.* Interest paid on your Certificates will be taxable as ordinary income to you regardless of whether interest is paid to you or reinvested in the Certificate. We may be subject to certain reporting and withholding requirements as are other interest payers. In addition, if you (or you and your spouse together) have invested more than \$250,000 in the aggregate with WELS CEF, you may be deemed to receive additional taxable interest under Section 7872 of the IRC if the interest paid to you is below the applicable federal rate. In that situation, the IRS may impute income up to that applicable federal rate. If you believe this applies to you, you should consult your tax advisor. For more information on the tax consequences of Certificates, see “Tax Considerations” on page 30.

19. *Investment Certificates renew automatically at maturity if not redeemed.* Except in certain states, each of our Investment Certificates will be extended for an additional term at maturity if it is not previously redeemed. We typically send maturity notices and current interest rate information to investors between 45 - 60 days prior to Certificate maturity. Unless you have already received one, a current Offering Circular will be included with the notice. If you want to redeem your Certificate, you must provide us notice of that request no later than 15 days after the Certificate's maturity date. If you do not notify us of your desire to redeem your Certificate within 15 days of the maturity date, the Certificate will be automatically renewed at the then current interest rate offered. For instance, an Investment Certificate with a three-year term will renew for another three year term, during which time you would not be able to redeem it without paying an early redemption penalty. To redeem a Certificate when it matures, you must send us a written request for payment. See "Description of Certificates—Investment Certificates—Renewal and Redemption at Maturity" on page 26. See "State Specific Information" beginning on page *i* for information regarding states where automatic renewal is not available.

20. *Historical renewal rates may not continue.* When investors allow their Certificates to renew at maturity, we are not required to pay out any funds to the investor. Retention percentages of individual investors was 96.68%, 96.77%, and 97.57% and retention percentages of their investment dollars was 93.13%, 95.90% and 95.72% in the years ended June 30, 2023, 2022, and 2021, respectively, which was accomplished by allowing their Certificates to renew automatically at maturity or selecting a different term. We cannot guarantee that this historical rate of renewals will continue. If significantly more investors redeem their Certificates at maturity, we could have difficulty repaying our Certificates when they mature. As of June 30, 2023, we had outstanding Statement Savings Certificates and No Interest Savings Certificates of \$6,673,302 and \$45,216,850 of term Savings Certificates and Investment Certificates that were scheduled to mature during the fiscal year ending June 30, 2024. See "Certificate Sales – Recent Sales and Outstanding Certificates – Maturity Information" on page 12.

21. *Changes in interest rates may adversely affect our ability to repay Certificates.* Interest rates are subject to significant fluctuations depending upon various economic and market factors over which we have no control. Interest rate fluctuations can adversely affect our operating results if we are unable to maintain a sufficient spread between the interest rates we pay on our Certificates and borrowed funds and the interest rates we receive on our outstanding loans and investments. In particular, rapid changes in interest rates could significantly and adversely affect our operating results, which could, in turn, adversely affect our ability to repay our Certificates.

22. *We expect to sell additional Certificates in other offerings.* The total amount of \$70,000,000 to be sold in this Offering is not a limitation on the number of Certificates we may sell in other offerings we may conduct at any time. We have sold our Certificates in other offerings in prior years and anticipate that we will continue to make additional offerings of our Certificates.

23. *Claims could be made against us with respect to matters involving WELS.* Because we are incorporated separately from WELS, we are generally not liable for claims against it or its affiliates. Nevertheless, our close affiliation with WELS could lead to claims against WELS CEF for matters involving WELS, the Synod, or its other affiliates. See "About Us" on page 9. This could adversely affect our financial condition.

24. *Our borrowers may be subject to risks associated with construction.* Our borrowers often use our loans to construct new facilities or renovate existing facilities. If any of the following risks associated with construction and renovation are realized, they could adversely affect a borrower's ability to repay its loan by increasing construction costs or delaying or preventing completion of the project.

- The borrower and its contractor may not sign a fixed-price construction contract.
- The contractor may not post a completion bond.
- Completion may be delayed due to, among other things, shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations or fuel or energy shortages.

- We may disburse some construction payments without first obtaining architectural certification, relying instead on the representations of the borrower.

25. *There is potential environmental liability associated with our real estate holdings and the loans we make.* We typically require an environmental audit before approving loans for the purchase or acquisition of property. We do not typically require an environmental audit before approving a loan for property already owned by the borrower. If environmental pollution or other contamination is found on or near property that we own or that secures a loan, we could, in some cases, face environmental liability or our security for the loan could be impaired. In addition, changes in environmental regulations could require us or the borrower to incur substantial unexpected expenses to comply with such regulations, and this could impair both the value of our real estate holdings, the collateral on our loans, and the borrower's ability to repay us.

26. *We may make unsecured loans.* Typically, our loans are secured by a first mortgage on the property purchased, constructed, or renovated with the loan proceeds. However, we do make some unsecured loans. The absence of collateral for these loans may increase the likelihood that we may not be able to collect all amounts outstanding on an unsecured loan. See "Lending Activities – Our Loan Portfolio – Outstanding Loans" on page 16, and "Selected Financial Information" on page 22.

27. *Our investors are heavily concentrated in the Midwest.* As of June 30, 2023, approximately 41.92%, 18.71%, and 7.42% of the total outstanding principal amount of our investor Certificates are owned by investors in Wisconsin, Minnesota, and Michigan respectively. Adverse economic conditions in these states could correspondingly result in increased redemptions of Savings Certificates, and decreased reinvestment rates for maturing Investment Certificates. This could, in turn, adversely affect our liquidity, our ability to operate our programs, and ultimately our ability to repay Certificates.

28. *Our borrowers are concentrated to certain geographic areas.* As of June 30, 2023, approximately 23.29%, 14.44%, and 11.47%, of the total outstanding principal amount of our loans was owed by borrowers in the South Atlantic, Arizona-California and Southeastern Wisconsin mission districts, respectively. Adverse economic conditions in these districts could correspondingly result in increased defaults by our borrowers in these areas. This could, in turn, adversely affect our liquidity, our ability to operate our programs, and ultimately our ability to repay Certificates. We do not have any policy limiting the geographic concentration of our loans. See also "Lending Activities – Our Loan Portfolio – Significant Loans" on page 17.

29. *Our ability to foreclose on collateral may be limited.* Our remedies as a creditor upon default by any of our borrowers are subject to limitations and borrower protections imposed under various laws, regulations and legal principles that provide protection to borrowers. Our legal and contractual remedies, including those specified in our commitment letters, promissory notes and mortgages, typically require judicial actions, which are often subject to discretion and delay. Under existing law (including, without limitation, the Federal Bankruptcy Code), the remedies specified by our commitment letters, promissory notes and mortgages may not be readily available or may be limited. A court may refuse to order the specific performance of the covenants contained in the commitment letters, promissory notes and mortgages. In addition, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements.

30. *Our collateral may be impaired.* The various security interests established under our commitment letters, mortgages and deeds of trust may be subject to other claims and interests. Examples of these claims and interests are statutory liens; rights arising in favor of the United States or any agency thereof; constructive trusts or equitable liens imposed or conferred by any state or federal court; and bankruptcy or receivership laws affecting amounts earned by the borrower after institution of bankruptcy or receivership proceedings by or against the borrower.

31. *We reserve the right to change policies.* At various points in this Offering Circular, we describe our policies, such as our loan policies described on page 13, our investment policies described on page 19, and our grant policies described on page 19. These descriptions are intended to help you understand our current operations. We may have followed different policies in the past, including with respect to loans, investments and grants we have made in the past.

We reserve the right to change our policies, including our loan, investment and grant policies, Certificate terms and other policies and procedures in the future.

32. *There is no firm underwriting commitment for this offering.* We are offering the Certificates directly and without a firm underwriting commitment. No assurance can be given as to the principal amount of Certificates that will be sold and whether the proceeds will be sufficient to accomplish the purposes of the offering.

33. *A prolonged economic slowdown or lengthy or severe recession could negatively affect our borrowers' ability to repay their loans.* During a period of economic slowdown or recession, our borrowers may experience increased difficulty in making timely payments of principal and interest on our loans, particularly if the period is prolonged. This could result in a need to restructure some loans to provide more flexible payment terms to our borrowers or to rely upon the collateral for repayment, which may not be sufficient to satisfy all amounts owing. This could also result in a need to increase our provision for loan losses, which would negatively impact our operating results.

ABOUT US

WELS Church Extension Fund, Inc.

We were incorporated as a Wisconsin non-stock, not-for-profit religious corporation on June 18, 1993. The IRS has ruled that we are exempt from federal income taxes under Section 501(a) of the IRC as an organization described in Section 501(c)(3) of the IRC. We were incorporated to take over WELS's church extension fund activities. These activities have been an important part of WELS's mission since the early 1900's. Currently, these activities include:

- selling debt securities to congregations, congregation members and other organizations affiliated with the Synod (“**WELS Congregations**”).
- making loans to WELS Congregations, loans and grants to new or start-up WELS Congregations (“**Mission Congregations**”), and grants to WELS for Home Missions; and
- accepting gifts and bequests to support church extension activities.

Through our church extension fund activities, we seek to advance the religious, educational, and charitable objectives of the Synod in compliance with its Constitution and Bylaws.

Wisconsin Evangelical Lutheran Synod

WELS is the third largest Lutheran Church body in the United States. In 1850, WELS was originally formed as an unincorporated association of congregations, pastors and teachers who believed in a common theological doctrine. Forty-nine years later, it established a Wisconsin not-for-profit religious corporation—also named WELS—to carry out tasks for the association. In 1997, the association and the corporation were restructured into a single corporate entity.

The mission of WELS remains to make disciples throughout the world for time and for eternity, using the gospel to win the lost for Christ and to nurture believers for lives of Christian service, all to the glory of God. WELS seeks to further this mission through the following areas of ministry:

- **Home Missions** counsels, directs, and supports all the districts in their domestic mission fields, including, for example, campus and multicultural ministries, by establishing and providing financial assistance primarily to Mission Congregations in the United States, Canada, and the Caribbean.
- **World Missions** does the same for church bodies primarily outside the United States, Canada, and the Caribbean with the objective of establishing independent church bodies in fellowship with WELS.
- **Ministerial Education** oversees the training of individuals in preaching, teaching and other forms of public ministries. It also supervises the educational programs of the schools training these individuals, so that those being trained can better contribute to WELS's objectives.
- **Congregation and District Ministry** includes Conference of Presidents, Congregational Services (Discipleship, Evangelism, Lutheran Schools, Special Ministries, and Worship), WELS Support Committee, Commission on Inter-Church Relations, Ministry of Christian Giving, and Communication Services.

- **Ministry Support** includes Synodical Council, Synod President’s office, Financial Services, Human Resources, Technology, Facilities, WELS Archives, and Christian Aid and Relief.

These areas of ministry of WELS are supported by gifts from WELS Congregations, members, and others. Our activities support the objectives of the Home Missions and World Missions ministries.

Home Missions

Historically, WELS engaged in church extension activities to assist its Home Missions ministry in the establishment and support of Mission Congregations. Since taking over these activities in 1993, our operations have required close cooperation with Home Missions.

In helping to establish and finance Mission Congregations, Home Missions helps determine where to start Mission Congregations, selects the initial shepherds of Mission Congregations and establishes appropriate ministry facilities. Through Home Missions, WELS typically provides operating grants to Mission Congregations. These operation grants are used to help offset costs for new mission starts.

As Mission Congregations grow, they generally seek to build or acquire permanent ministry facilities. To do so, they must first receive the permission of Home Missions. Home Missions will permit the building or the acquisition of permanent ministry facilities where it determines that a congregation’s ministry plan is acceptable. With this permission, the Mission Congregation may apply for a loan from us. Although the permission of Home Missions is required before a Mission Congregation may apply for one of our loans, we alone have the right to approve or deny the Mission Congregation for a loan and to determine the terms of the loan.

Related Party Transactions

During the year ended June 30, 2023, we were involved in the following related party transactions:

- **Advances for World Missions.** From time to time, we will extend unsecured advances to WELS Board for World Missions to purchase ministry facilities in countries outside the United States and Canada. Generally, these advances are made when World Missions must act quickly to make a purchase. Our Board of Directors annually sets a limit on the total principal balance of advances that may be made to WELS for these purposes. The credit facility as of June 30, 2023 was \$1,000,000. The terms of the advances, including the interest rates, are determined by our management team. During the year ended June 30, 2023, there were no new advances to WELS for World Missions. As of June 30, 2023, there were no advances outstanding to WELS for World Missions. All advances to WELS are included in loans receivable in the accompanying financial statements.
- **Special and Endowment Grants to WELS to support Home Missions.** The CEF endowment policy also distributed its eighth annual grant to Home Missions in the amount of \$1,185,653 in fiscal year 2023. Previous annual endowment grants of \$1,128,858 and \$1,063,924 were made and disbursed to Home Missions for operations during the fiscal years ended June 30, 2022 and 2021 respectively. Special grants were made to Home Missions in the amounts of \$915,785, \$500,000 and \$600,000, during the fiscal years ended June 30, 2023, 2022 and 2021 respectively. See “Matching and Special Grant Programs” on page 18.
- **Reimbursement of WELS for Expenses Paid.** During the year ended June 30, 2023, we reimbursed WELS \$946,536 for payroll and other operating expenses WELS paid on our behalf.
- **Lease of Office Space from WELS.** We paid \$39,237 in rent to WELS for office space during the year ended June 30, 2023.
- **Investment with WELS Investment Funds, Inc.** WELS Investment Funds, Inc. is a Wisconsin charitable non-stock, not-for-profit corporation organized to provide, manage, and administer investments for WELS, and congregations, agencies or other organizations affiliated with WELS. On June 30, 2023, we had \$31,172,486 invested with WIF, based on then current fair value. The terms of our investments are the same terms available to other investors with WIF.
- **Ownership of Certificates by Our Officers and Directors.** As of June 30, 2023, our officers and directors (including ex-officio and advisors to the Board of Directors) did not beneficially own any Certificates.

- **Interest in net assets of WELS Foundation, Inc.** WELS Foundation, Inc. is a subsidiary of WELS that provides, directs, channels, and manages funds for religious, charitable, and educational purposes consistent with the principles of WELS. Interest in net assets of the foundation include deferred giving instruments and other assets of \$528,362, \$482,693, and \$546,768 at June 30, 2023, 2022 and 2021, respectively, some of which were invested in our Certificates.
- **Certificates owned by WELS and WELS subsidiaries.** As of June 30, 2023, \$14,563,652 of our Certificates (excluding accrued interest) are owned by WELS and WELS subsidiaries. All of these Certificates were purchased on terms generally available to other investors.

In addition, we make loans and grants, and sell Certificates, to WELS Congregations in the normal course of our business. For information on our lending and grant activities, see “Lending Activities” on page 13 and “Matching and Special Grant Programs” on page 18. For information on the sale of Certificates, see “Certificate Sales” on page 11.

On December 11, 2020, we adopted a related party transactions policy requiring that all transactions with related parties exceeding \$120,000 in any calendar year are approved by independent members of our Board of Directors.

USE OF PROCEEDS

The total amount of this Offering is \$70,000,000. This amount is an estimate that includes not only the new Certificates we may sell in the Offering, but also the amount of Certificates that may be renewed under this Offering and the amount that investors may add to their Savings Certificates.

The proceeds we receive will be added to our general funds, which we use primarily to make loans to Mission Congregations and secondarily to “mission minded self-supporting” congregations for the acquisition, construction and renovation of worship facilities, parsonages, schools and other similar structures, to pay our operating costs, and if necessary, to pay interest and principal on redeemed Certificates.

This Offering is not underwritten, and WELS CEF does not compensate any individual in connection with their participation in the offer or sale of Certificates by the payment of commissions or other remuneration based, directly or indirectly, on the offer or sale of the Certificates. We will bear all expenses incurred in the Offering, including securities registration fees, printing, mailing, accounting fees and attorney’s fees, which are anticipated to be approximately \$50,000. Accordingly, we will receive 100% of the proceeds from the sales of the Certificates to be used as previously described.

CERTIFICATE SALES

This section provides more detail about our Certificate selling activities.

Recent Sales and Outstanding Certificates

Recent Sales and Redemptions

During the year ended June 30, 2023, we received \$7,136,456 in cash from sales of new Certificates and additions of principal to existing Certificates. We had cash redemptions totaling \$19,018,376 in principal amount of Certificates, including \$13,335,640 of Investment Certificates, and \$5,682,736 of partial and full redemptions on Savings Certificates.

Investor Retention and Reinvestment

CEF retained 96.68% of investors with maturing investment certificates throughout fiscal year 2023. Overall investment dollars retained from our Investor portfolio averaged 93.13% on a monthly basis.

Interest on Investments

The annual average interest rate on our Certificates was 1.69%, 1.78%, and 2.08% for the fiscal years ended June 30, 2023, 2022 and 2021 respectively. We incurred \$1,704,665, \$1,884,766, and \$2,161,604 in interest expense on our Certificates for those same years, respectively.

Outstanding Certificates

As of June 30, 2023, we had outstanding Certificates with a total balance of \$93,585,569.

<u>Type</u>	<u>Number of Certificates</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
<i>Investment Certificates:</i>			
6 Month	91	0.30%	\$ 1,955,380
12 Month	325	0.95%	7,293,635
18 Month	142	0.66%	2,154,773
24 Month	302	1.08%	13,023,490
36 Month	336	1.38%	7,630,286
48 Month	160	1.65%	3,647,939
56 Month	335	4.00%	9,489,757
60 Month	1,422	2.23%	30,809,484
Total	3,113	1.92%	\$ 76,004,744
<i>Retirement/IRA Certificates:</i>			
	95	3.34%	\$ 5,595,275
<i>Savings Certificates:</i>			
Statement Savings Certificates	365	0.15%	\$ 6,387,628
No Interest Savings	9	0.00%	285,674
1 Year Savings Certificates	1,422	0.30%	5,312,248
Total	1,796	0.21%	\$ 11,985,550
<i>All Certificates:</i>	5,004	1.79%	\$ 93,585,569

Maturity Information

The following table shows the principal balances of Certificates that are scheduled to mature during each of the next five fiscal years and thereafter as of June 30, 2023.

<u>Time of Maturity</u>	<u>Number of Certificates</u>	<u>Aggregate Principal Balance</u>
No maturity date	374	\$ 6,673,302
<i>During the year ended:</i>		
June 30, 2024	2,833	45,216,850
June 30, 2025	502	12,876,616
June 30, 2026	513	12,047,465
June 30, 2027	489	11,860,649
June 30, 2028	293	4,908,687
Total	5,004	\$ 93,585,569

Distribution of Certificates

Our officers and employees are responsible for the offer and sale of our Certificates. We have not hired any underwriters or outside selling agents to assist with this Offering, nor do we intend to. Where it is required by state law, however, some of our officers and employees have registered with the state as agents or salespersons. These individuals

answer investors' questions and occasionally give presentations to potential investors at WELS or district conventions and meetings, as well as at religious services or meetings of WELS Congregations.

We also use brochures and other advertising materials to promote the sale of Certificates. These materials are distributed directly to WELS Congregations as well as handed out at district conferences, conventions and other meetings of members of WELS Congregations. From time to time, we place advertisements in WELS's national publication and send materials directly to current and former investors.

We will not pay any commissions or other compensation to our officers and employees or anyone else for any sale of our Certificates.

How to Purchase a Certificate

If, after reading this Offering Circular, you would like to purchase one of our Certificates, you should complete the Investment Application attached to this Offering Circular as **Exhibit C** if you are an individual and **Exhibit D** if you are an organization. Send us the completed application at the address on the front page along with a check made payable to WELS Church Extension Fund in the amount of your investment. If you would like to purchase a Retirement/IRA Certificate, you will have to request an IRA investment kit by calling our toll free number or via our website.

LENDING ACTIVITIES

We offer loans at interest rates and terms generally more favorable than our borrowers could get from a commercial lender. The participants in our loan program generally use our financing to acquire land or buildings and to construct or renovate ministry facilities, schools, and other facilities necessary to carry out their mission. This section describes the participants in our loan program, our loan policies, and the loans we currently have outstanding.

Participants

Mission Congregations that have met certain requirements of the Board for Home Missions are the primary participants in our loan program. In addition, as funding levels allow, we may make loans to self-supporting mission-minded WELS Congregations. Finally, we may make loans to WELS for operating purposes and we also may make advances to WELS to support World Missions. See "About Us—Related Party Transactions" on page 10.

We administer our loan program in accordance with guidelines that are reviewed annually by our Board of Directors to ensure that the primary focus of WELS CEF remains to help support Mission Congregations. These guidelines can be changed at any time at the discretion of our Board of Directors.

Based on the loan portfolio as of June 30, 2023, totaling \$174,806,345, the loan allocation guidelines and the actual figures were as follows:

<u>Area of Ministry</u>	<u>Loan Guideline Percent</u>	<u>Actual Loans</u>	
		<u>Percent</u>	<u>Amount</u>
Home Missions	50-100%	61.20%	\$106,980,397
Mission-Minded Self-Supporting Congregations	0-48%	38.80%	67,825,948
World Missions	0-2%	0.00%	—
Total		100.00%	\$174,806,345

Loan Policies

Our Board of Directors sets our lending policies. In general, we may make loans to borrowers that typically cannot obtain financing from commercial sources. Among other things, our policies guide our Loan Committee in deciding to whom we may loan money, how much may be loaned to a particular borrower, and the terms of the loan.

Nevertheless, each of our borrowers is unique, and no two are in exactly the same circumstances. Therefore, our Loan Committee may grant exceptions to any of the loan policies described in this section or elsewhere in this Offering Circular. Because we cannot predict the circumstances of our future borrowers, we cannot speculate as to the extent of the exceptions made by the Loan Committee for future loan requests.

In addition, our Board of Directors, at its discretion, may authorize us to lend money to a particular borrower or borrowers on terms different from those described in this section. From time to time, we also have loans or advances outstanding to WELS that were not made subject to our general loan policies. See “About Us—Related Party Transactions” on page 10.

General Policies

The following policies generally apply to the loans we make to WELS Congregations:

- ***Borrower’s Financial Qualifications.*** As part of our application process, a borrower generally must provide us with its past three years of unaudited historical financial data. In addition, the borrower generally must give us financial projections for the next ten years. While we may consider additional factors when determining if a borrower qualifies for a loan, we typically require that the borrower’s loan payments not exceed 30% of the borrower’s expected income.
- ***Interest Rates.*** Our Board of Directors establishes “lending” rates from which the interest rates for our loans are determined. While these lending rates are generally set four times per year at the Board’s normally scheduled meetings, the Board may change rates more frequently at its discretion. Currently, Mission Congregations are generally eligible to receive loans at a 25-basis point discount from our lending rate for their initial five-year term. If funds are available, self-supporting WELS Congregations are generally eligible to receive loans at our lending rate. Our typical 25-year fully amortizing loans are written as 60-month balloon promissory notes that are renewed every five years at the then current interest rate and re-amortized over the remainder of the 25-year period. Interest rates for both Mission and Self-Supporting loans are generally fixed rates for the entire 60-month term. As of June 30, 2023, our lending rate is 4.51%. Loan interest rates are subject to Loan Committee/Board approval and may vary on a case by case basis.
- ***Collateral.*** Typically, our loans are secured by a first mortgage on the land or buildings that borrowers acquire or build with the proceeds of their loans. At least ninety-eight percent (98%) of our outstanding loans will be secured by real or personal property. When a borrower is purchasing an existing building, we typically require a formal appraisal of the property. When a borrower is constructing a building, we typically require a formal, “as completed” appraisal of the property to determine value of the collateral. In most instances we also require an environmental assessment of the collateral, a survey of the property, a civil engineering study, a property condition assessment and title insurance. We require that the borrower maintain property insurance on the collateral, as well as builder’s risk insurance for construction projects.
- ***Loan Application Fee and Closing Costs.*** We generally charge a \$500 non-refundable application fee due at the time a borrower applies for a new loan, including a remodeling loan or loan add-on request. In addition, the borrower is typically responsible for costs associated with the loan, including appraisals, surveys, civil engineering and property condition assessment reports, title insurance, document preparation, filing and recording fees, escrow charges, and transfer fees.
- ***Endorsement of District Mission Board.*** Any WELS Mission Congregations wishing to borrow from us must receive endorsement from the Mission Board governing mission activities within the congregation’s district.
- ***No Other Loans.*** Typically, any other loans of a borrowing congregation will be consolidated into the new loan from us.
- ***ACH Auto-payment.*** In general, our borrowers are required to utilize the ACH auto-payment method for making their monthly loan payments. Exceptions are subject to approval by the WELS CEF Executive Director.
- ***Late Payment Fee.*** Because of our relationship with our borrowers, we may accommodate partial, deferred or late payments from some of our borrowers. A borrower is considered late on a payment if the payment is 20 days overdue. In that event, we will charge the borrower 2% of the overdue payment amount one time on each payment that is 20 days or more overdue. Exceptions can be made by the Loan Committee.

- **Renewals.** Most of our loans renew every five years until they are paid in full. A loan’s interest rate will follow the WELS CEF lending rate at each renewal. The chart below shows the historical lending rates for the prior fiscal year. These rates are subject to change at any time by our Board.

<u>Prior period lending rate</u>	<u>Interest Rate for all Congregations</u>
May 2023	Lending rate of 4.51%
March 2023	Lending rate of 4.32%
October 2022	Lending rate of 4.23%
September 2022	Lending rate of 4.23%
May 2022	Lending rate of 4.25%

- **Maximum Loan Size.** WELS CEF loans are limited to not more than 10.0% of net assets without donor restrictions or about \$9.1 million as of June 30, 2023; however, the WELS CEF Board of Directors reserves the right to make exceptions to this limit. The Loan Committee is authorized to approve loans to a single WELS Corporate Entity that is not more than 5.0% of our net assets without donor restrictions (approximately \$4.6 million as of June 30, 2023). WELS CEF Board of Directors approval is required on loans more than 5.0% of net assets without donor restrictions.

Policies for Loans to Mission Congregations

Our Board has established different terms and requirements depending on the type of loan for which a Mission Congregation has applied. If a Mission Congregation plans to use its loan for one of the following purposes, the loan will generally be subject to the terms described below.

- **Parsonage Loan Policies.** A borrower seeking to buy or build a parsonage typically must make a minimum down payment of 10% of the purchase price or land and construction costs. Parsonage loans are not eligible for a matching grant. Parsonage loans are typically payable in monthly installments amortized over 15-20 years.
- **Land Loan Policies.** A borrower seeking to buy land typically must make a minimum down payment of 10% of the purchase cost. Borrowers financing purchases of land generally make monthly payments amortized over 20-25 years. If a congregation has both a parsonage and a land loan, the two are usually combined under the terms of the Facilities Loan Policies. Most Mission Congregations will also qualify for a Four-to-One matching grant on their down payment for land purchases. See “Matching and Special Grant Programs” on page 18.
- **Facilities Loan Policies.** Loans for the construction or purchase of ministry facilities, which include schools and early education/childcare centers, generally require a minimum down payment of 10%. Most Mission Congregations may also receive a Two-to-One matching grant on their down payment for facility projects. See “Matching and Special Grant Programs” on page 18.
- **Construction Loan Policies.** Construction loans typically consist of an interest only repayment period (generally 12 to 24 months in duration) while the project is being completed and a post-construction principal and interest repayment period (generally 36 to 48 months) that will make up the initial 5 year (60 month) note. Qualified borrowers that are building a worship, educational, or parsonage facility are eligible for this type of financing. Interest accrues on the disbursed funds and is payable monthly during the construction period. The construction period of interest only monthly payments will automatically convert to the principal and interest monthly repayment portion of the initial note.

Policies for Loans to Self-Supporting WELS Congregations

WELS Congregations that are mission-minded and “self-supporting” (but are not Mission Congregations) may apply for loans from us for new construction projects, expansion or improvement projects for ministry facilities or schools and early education/childcare centers, land purchases for an approved relocation or outreach opportunity, or consolidation of existing debt. This subsection describes the policies our Loan Committee generally follows with regard to loans to mission-minded self-supporting WELS Congregations.

- **Construction Loans.** If a borrower will use a loan to fund construction, the construction interest only payment period typically may not exceed one year for worship facilities or up to 24 months for schools and early

education/childcare centers. During that time, the borrower is expected to make monthly payments of any interest accrued on funds disbursed for the project. When the construction interest only period is complete, the loan will convert to a fully amortized loan for the remainder of the initial financing term note.

- **Amortized Loans.** These loans are balloon loans with a term of up to five years. They are available to WELS Congregations to pay off the principal balance of an outstanding construction loan. Purchase transactions of land or an existing facility not requiring renovation will typically be amortized over a period of 20-25 years.
- **Down Payment.** Mission-minded self-supporting WELS Congregations typically must make a down payment of at least 20% of the purchase price of land, facilities, and (if applicable) the estimated cost of construction.

Our Loan Portfolio

Outstanding Loans

At June 30, 2023, our loan portfolio consisted of two hundred-two (202) loans to one hundred ninety-five (195) borrowers with total loans outstanding of \$174,806,345. We had one hundred forty (140) loans and commitments outstanding to Mission Congregations with an aggregate outstanding principal balance of \$106,980,397 representing 61.20% of our total loans outstanding. We had sixty-two (62) loans outstanding to mission-minded self-supporting WELS Congregations totaling \$67,825,948, representing 38.80% of total loans outstanding.

Approved and Pending Loan Commitments

Commitments to Mission Congregations and mission-minded self-supporting WELS Congregations will result in additional amounts being loaned to these congregations. The aggregate amount of loans approved but not yet advanced to congregations including grants and down payments held in construction reserve at June 30, 2023 was \$64,033,557.

Interest Rates

The average interest rate earned on existing loans was 4.38%, 4.38%, and 4.33% for the years ended June 30, 2023, 2022, and 2021, respectively. On our outstanding loans to Mission Congregations and to mission-minded self-supporting WELS Congregations, the average interest rates were 4.34% and 4.42%, respectively, as of June 30, 2023.

Payments on Outstanding Loans

During the fiscal year ended June 30, 2023, we received payment of \$19,772,244 in principal and \$7,711,560 in interest on our outstanding loans.

The following table sets forth the principal payments scheduled to be paid on all loans in future fiscal years ended June 30, based on June 30, 2023 data:

<u>Year ended June 30</u>	<u>Principal Maturing</u>
2024	\$ 40,797,363
2025	39,153,810
2026	21,141,568
2027	40,677,667
2028	32,882,597
Thereafter	153,340
Total	<u>\$ 174,806,345</u>

Significant Loans

At June 30, 2022, we had four (4) borrowers that each had outstanding loans with an aggregate principal balance in excess of 5.0% of our net assets without donor restrictions (approximately \$4.6 million as of June 30, 2023). There were no advances outstanding to WELS for World Missions as of June 30, 2023.

Participation Loans

We may make loans to Mission Congregations and mission-minded self-supporting WELS Congregations indirectly by purchasing on a non-recourse basis a participation interest in a loan made by affiliated organizations or financial institutions to Mission Congregations and Self-Supporting Congregations. Participations in loans made by other lenders will generally be required to meet our lending guidelines; however, the interest rates and term to maturity of such participations may differ from loans being made directly by us. Our right to take action or assert recourse against the borrower or the collateral for any of these loans is subject to the cooperation of the lender that originates the loan in which we hold a participatory interest. We also may sell participations in our loans to WELS, WELS subsidiaries and/or unaffiliated parties, such as financial institutions, on a non-recourse basis so that the buyer assumes the risk of any loss on the loan participation. As used in this paragraph, a “participation interest” or “participation” represents a percentage ownership interest in a loan originated by an originating lender whereby other participating lenders share principal and interest payments received from the borrower in an agreed upon manner. As of June 30, 2023, we had no participation loans.

Geographic Concentration of Loans

The table below sets forth the geographic concentrations of our loans at June 30, 2023:

Mission District	
South Atlantic District	23.29%
Arizona-California District	14.44%
Southeastern Wisconsin District	11.47%
Minnesota District	9.45%
Colorado District	8.02%
South Central District	7.82%
North Atlantic District	7.69%
Western Wisconsin District	6.21%
Pacific Northwest District	5.57%
Michigan District	2.00%
Dakota-Montana District	1.54%
Northern Wisconsin District	1.12%
Canadian District	0.71%
Nebraska District	0.67%

Loan Loss Allowance

The collectability of loans is dependent upon the success of the borrower or the value of the property collateralizing them. The allowance for loan losses is maintained at a level considered adequate to provide for probable and inherent loan losses based on management’s evaluation of the anticipated impact on the loan portfolio of current economic conditions, changes in the character and size of the portfolio, past loan loss experience, the financial condition of the borrower, and other pertinent factors that management believes require current recognition in estimating probable loan losses. Beginning in the fiscal year ended June 30, 2020, a qualitative factor was added to the loan loss reserve calculation primarily as a result of current economic and environmental conditions including the COVID-19 pandemic. Specific reserves are established for any impaired loan for which the recorded investment in the loan exceeds the liquidation value of the loan, less estimated costs to sell. Specific reserves are established for any impaired loan for which the recorded investment in the loan exceeds the liquidation value of the loan, less estimated costs to sell. While management uses available information to estimate probable losses, future changes to the allowances may be necessary based on changes in economic conditions. At June 30, 2023, our loan loss allowance was \$4,976,476, which was 2.85% of the total balance of our outstanding loans as of that date.

Changes in the loan loss allowance are primarily attributable to management’s evaluation of outstanding loans. The activity in our loan loss allowance during the past three fiscal years was as follows:

	For the years ended June 30,		
	2023	2022	2021
Beginning Balance	\$ 4,968,498	\$ 5,798,170	\$ 5,541,152
Provision for /(recapture of)	7,978	(1,002,867)	576,621
Charge-offs	—	—	(327,832)
Charge-off recoveries	—	173,195	8,229
Ending Balance	<u>\$ 4,976,476</u>	<u>\$ 4,968,498</u>	<u>\$ 5,798,170</u>

Impaired and Delinquent Loans

We consider a loan to be impaired when it is probable that WELS CEF will be unable to collect the scheduled payments of principal or interest due according to the contractual terms of the loan agreement. Loans that experience insignificant delays and payment shortfalls generally are not classified as impaired. The allowance for loan losses is measured on a loan-by-loan basis primarily based on the fair value of collateral less estimated cost to sell.

At June 30, 2023, we had total impaired loans of \$32,273,654, compared to \$36,964,238 and \$33,756,451 as of June 30, 2022 and 2021, respectively. Our average investment in impaired loans during fiscal year 2023 was \$33,660,472, compared to \$33,051,810 during 2022 and \$33,843,328 during 2021. The following is a summary of information pertaining to impaired loans:

	As of June 30,		
	2023	2022	2021
Impaired loans without a valuation allowance	\$ 17,105,749	\$ 20,496,098	\$ 22,396,228
Impaired loans with a valuation allowance	15,167,905	16,468,140	11,360,223
Total impaired loans	<u>\$ 32,273,654</u>	<u>\$ 36,964,238</u>	<u>\$ 33,756,451</u>
Valuation allowance related to impaired loans	<u>\$ 2,709,081</u>	<u>\$ 2,709,690</u>	<u>\$ 3,532,573</u>

The accrual of interest income on a loan is discontinued when, in management’s judgment, the interest may not be collectible within the normal terms of the loan. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, future payments are reasonably assured and the loan is returned to normal terms. All impaired loans were on non-accrual status, and we had no other non-accrual loans as of June 30, 2023, 2022, and 2021.

We consider a loan to be delinquent if any payments on the loan are past due more than 60 days. As of the fiscal year ended June 30, 2023 none of our borrowers were delinquent on loans. The following chart shows our loan delinquencies over the past three fiscal years ended June 30:

Fiscal Year	Number of Borrowers	Delinquent Payments	Aggregate Loan Balances	Percent of Loan Portfolio
2023	—	\$ —	\$ —	0.00%
2022	1	\$ 14,160	\$ 664,557	0.37%
2021	—	\$ —	\$ —	0.00%

MATCHING AND SPECIAL GRANT PROGRAMS

Earnings from CEF operations, along with gifts, memorials, and bequests received by us are generally used to provide qualifying Mission Congregations with matching grants. Our capital grant program enhances our church extension activities by allowing a specific match on a qualifying Mission Congregation’s down payment for land and facility projects, resulting in a lower principal loan amount for a Mission Congregation. Our grants are not intended to be repaid

unless there is a sale of property, dissolution of the congregation, or the congregation refinances with another lender. Gifts, memorials, and bequest dollars used in the grant program are tracked internally for this purpose. Our matching grant program is not intended to be funded through our Certificate sales. Our matching grants are treated as expenses and accordingly have an effect on our annual operating results.

Types of Matching Grants

We offer the following capital grant programs to assist Mission Congregation borrowers:

- **Four-to-One Matching Grants.** Participants in this program may receive a grant equal to *four* times the amount of the borrower’s down payment on an initial land purchase, to the extent the down payment does not exceed 10% of the purchase price on the first five acres of land. If the Borrower purchases more than five acres of land, the grant will be prorated.
- **Two-to-One Matching Grants:** Participants in this program may receive a grant equal to *two* times the amount of the borrower’s down payment on an initial facility project to the extent the down payment does not exceed 10% of the estimated cost of the first 7,500 square feet of the project. If the borrower buys or builds more than 7,500 square feet of facilities, the grant will be prorated.

Generally, if a Mission Congregation qualifies for a loan from us, it also qualifies to receive a matching grant for initial land purchase and facility projects as mentioned above.

Contributions and Grants

During the three years ended June 30, 2023, 2022, and 2021, our income from contributions was \$1,429,035, \$578,512 and \$305,337, respectively. All contributions were allocated for our matching grant program. These contributions included both gifts without restrictions and gifts restricted for church extension activities.

We have provided matching grants to Mission Congregations of \$266,000, \$2,711,979 and \$1,072,451 during the years ended June 30, 2023, 2022 and 2021, respectively.

Special and Endowment Grants

We provided special grants to WELS Board for Home Missions for assisting Mission Congregations with operations, land, and facility projects of \$915,785, \$500,000 and \$600,000 during the years ended June 30, 2023, 2022 and 2021, respectively. During the years ended June 30, 2023, 2022 and 2021, we provided endowment grants of \$1,185,653, \$1,128,858 and \$1,063,924, respectively to Home Missions to be used at their discretion for land, facilities and operations. We may provide additional grants to Home Missions in the future for land and facility projects as well as for operations.

The following chart shows the net expense recognized for grants to support Mission Congregations and Home Missions during the past three fiscal years.

<u>Year ended June 30</u>	<u>Number of Grants</u>	<u>Number of Recipients</u>	<u>Amount of Grants</u>
2023	4	3	\$ 2,367,438
2022	12	11	\$ 4,340,837
2021	12	11	\$ 2,736,375

The aggregate amount of grants approved but not yet advanced to Mission Congregations at June 30, 2023, was \$2,716,341; of this amount, we are contractually obligated to fund \$573,059 of grants payable as of June 30, 2023.

INVESTMENT ACTIVITIES

Investment Policies

It is our current policy to maintain cash and cash equivalents in an amount expected to be sufficient to meet our interest and principal payment obligations on our outstanding Certificates and to support our loan program. Funds in excess of

our anticipated short-term operational needs are invested in investment portfolios administered by WIF, bonds, commercial paper with original maturity of over 90 days and other vehicles. See “About Us—Related Party Transactions” on page 10.

Our Board of Directors sets our investment policies, and our Executive Director and our Treasurer are responsible for implementing those policies on a day to day basis. Information about these individuals is contained in the “Management” section starting on page 31.

Minimum Cash, Cash Equivalents and Investments

It is our policy to maintain minimum cash, cash equivalents and investments of at least 8% of the outstanding principal amount of our Certificates. At June 30, 2023, we had \$49,962,676 in cash and cash equivalents and investments, representing 53.39% of the total principal amount of our outstanding Certificates.

Our cash and cash equivalents are invested in accordance with the WELS Short-Term Investment Policy and Guidelines. This policy is geared to achieving maximum yield on investments while stressing the safety and liquidity of the invested funds. Under this policy, we may invest an unlimited percentage of our cash and cash equivalents in each of the following types of investments:

- Securities issued or guaranteed by the U.S. government, or its agencies.
- Money market funds.
- State and municipal securities with an investment rating of “MIG-1” by Moody’s or an underlying bond rating of “A” or better by Moody’s or Standard & Poor’s.
- Repurchase agreements with a maturity of no more than three months, backed by U.S. government securities, mortgage-backed securities and corporate debt securities, and with banks with long-term debt ratings of “A3” or higher by Moody’s or “A-” or higher by Standard & Poor’s, or banks with which the Synod has established a business relationship.
- Commercial paper with a rating of “P-2” or better by Moody’s or “A-2” or better by Standard & Poor’s of up to \$5,000,000 per issuer.
- Corporate debt obligations with a rating of “A2” or higher by Moody’s or “A-” or higher by Standard & Poor’s of up to \$ 5,000,000 per issuer.
- Unrated securities, such as commercial paper of up to \$2,000,000 per issuer, guaranteed by an institution that satisfies the above rating criteria for commercial paper or corporate debt obligations, as the case may be.

In addition to the types of investments listed above, we may invest in annuity contracts with insurance companies with the highest (A++ superior) A.M. Best rating. Furthermore, we may invest in up to 50% of our cash and cash equivalents in each of the following types of investments:

- Bankers acceptances of up to \$2,000,000 per bank from any U.S. banks with long-term debt rates of “A3” or higher by Moody’s or “A-” or higher by Standard & Poor’s, or banks with which the Synod has established a business relationship.
- Certificates of deposit of up to \$5,000,000 per bank issued by any domestic commercial banks with long-term debt rates of “A3” or higher by Moody’s or “A-” or higher by Standard & Poor’s, or banks with which the Synod has established a business relationship.

This investment policy prohibits investments in foreign denominated securities, commodities or commodity contracts (including futures contracts), purchase forward currency exchange contracts or exchange-related securities, derivative securities, or directly in equity securities.

Policies for WELS INVESTMENT FUNDS, Inc.- Investments

Under our current policy, funds in excess of our anticipated short-term operational needs are invested in investment portfolios administered by WIF. Currently, WELS CEF invests in WIF’s Endowment Fund. The objectives of this WIF fund is to provide current income by investing primarily in investment quality US and international debt securities and to seek long-term capital growth by investing in a portfolio of US and international equity securities that is well diversified by industry and company size. The Endowment Fund has a target asset allocation comprised of 75% equity and 25% fixed income.

Cash, Cash Equivalents and Investments

The following table shows our cash, cash equivalents and investments as of June 30, 2023:

	<u>Amount</u>	<u>Percent of Total</u>
Cash and Cash Equivalents	\$ 18,790,190	37.61%
Investments, at Fair Value	31,172,486	62.39%
Total	<u>\$ 49,962,676</u>	<u>100.00%</u>

Recent Investment Performance

Earnings from our investments were as follows for the past three years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 626,676	\$ 613,032	\$ 480,158
Realized and Unrealized Gain/(Loss)	2,811,886	(6,301,815)	8,244,729
Total	<u>\$ 3,438,562</u>	<u>\$ (5,688,783)</u>	<u>\$ 8,724,887</u>

REAL ESTATE ACTIVITIES

Real Estate Held for Resale

On occasion real property is received from a congregation that has defaulted on their loan, and the property is then recorded as real estate held for resale. We had no real estate held for resale as of June 30, 2023.

Real Estate Advance Sites

On occasion, we will purchase improved or unimproved real property that will be utilized as worship facilities for a developing congregation. We generally refer to these properties as “real estate advance sites.” We held no real estate advance sites as of June 30, 2023.

SELECTED FINANCIAL INFORMATION

The following table provides selected historical financial information of WELS CEF. Our historical information is derived from our audited financial statements as of and for the years ended June 30, 2019 through 2023. Audited financial statements as of and for the years ended June 30, 2023, 2022, and 2021 are included in **Exhibit A** to this Offering Circular. You should read the audited financial statements provided with this Offering Circular.

	As of and for the year ended June 30				
	2023	2022	2021	2020	2019
Assets:					
Cash and cash equivalents	\$ 18,790,190	\$ 15,667,557	\$ 13,258,874	\$ 4,742,858	\$ 19,112,497
Investments, at fair value	31,172,486	28,919,577	36,736,734	28,076,255	27,463,055
Loans receivable from congregations and others, net	169,829,869	175,058,037	177,991,399	176,997,256	156,432,119
Real estate held for resale, net and real estate advance sites	—	—	—	436,800	—
Other assets	1,980,287	1,351,436	1,104,040	1,029,545	1,280,996
Total assets	\$ 221,772,832	\$ 220,996,607	\$ 229,091,047	\$ 211,282,714	\$ 204,288,667
Liabilities					
Certificates payable	\$ 93,585,569	\$ 104,094,843	\$ 107,403,555	\$ 99,830,509	\$ 94,034,465
Other liabilities	5,255,364	2,422,618	4,233,244	5,107,537	5,318,783
Total liabilities	\$ 98,840,933	\$ 106,517,461	\$ 111,636,799	\$ 104,938,046	\$ 99,353,248
Net assets	\$ 122,931,899	\$ 114,479,146	\$ 117,454,248	\$ 106,344,668	\$ 104,935,419
Net assets without donor restrictions	\$ 91,231,063	\$ 85,076,888	\$ 81,170,274	\$ 77,961,600	\$ 77,150,536
Change in net assets	\$ 8,452,753	\$ (2,975,102)	\$ 11,109,580	\$ 1,409,249	\$ 680,812
Certificate sales	\$ 7,136,456	\$ 12,330,291	\$ 17,764,456	\$ 23,741,654	\$ 16,125,376
Certificates redeemed	\$ 19,018,376	\$ 17,177,897	\$ 11,942,178	\$ 19,839,191	\$ 25,301,634

Year	Unsecured Loans	% of Total Loans	60- Day Delinquent Unsecured Loans	
			Unsecured Loans	% of Total Loans
2023	\$ —	0.000%	\$ —	0.00%
2022	\$ —	0.000%	\$ —	0.00%
2021	\$ —	0.000%	\$ —	0.00%
2020	\$ —	0.000%	\$ —	0.00%
2019	\$ 4,520	0.003%	\$ —	0.00%

DISCUSSION OF FINANCIAL INFORMATION

The Board of Directors of WELS CEF regularly reviews its overall financial position. WELS CEF's operating philosophy is to maintain a position of liquidity sufficient to provide for operating cash requirements, a capital position sufficient to support its financial position and operations, and a margin of assets over liabilities. A significant shift in interest rates or loan demand may adversely affect actual performance. WELS CEF's Board of Directors may modify existing procedures or implement new procedures to enable WELS CEF to operate under changing economic conditions. Some of the key areas regularly reviewed are the following:

Source of Funds for Payment of Certificates – Under WELS CEF's method of accounting, interest payments on Certificates have been made from WELS CEF's operating income and net assets without donor restrictions, and principal payments on Certificates have been made from WELS CEF's assets, exclusive of new Certificate proceeds. For the year ended June 30, 2023, we had interest income of \$7,692,197 on our outstanding loans while we recognized interest expense of \$1,704,665 on our Certificates. During the years ended June 30, 2022 and 2021, we had interest income of

\$7,929,169 and \$8,103,622 on our outstanding loans and interest expense of \$1,884,766 and \$2,161,604, respectively. Thus, interest income on our outstanding loans has significantly exceeded our interest expense in each of the past three years. WELS CEF anticipates that new Certificate proceeds will not be needed for operating expenses or to repay interest and principal due on Certificates. However, there is no guarantee that the anticipated results will occur.

Capital Adequacy – The net assets of WELS CEF has supported WELS CEF’s ability to maintain its operations. As of June 30, 2023, WELS CEF’s net assets as a percentage of its total assets was 55.43% (which is greater than the NASAA SOP minimum standard of 5%) determined as follows:

	<u>06/30/2023</u>
Net Assets	\$ 122,931,899
Total Assets	221,772,832
 Net Assets Percentage of Total Assets	 55.43%

WELS CEF strives to maintain a strong capital position to support WELS CEF’s operations and growth. For the fiscal year ended June 30, 2023, our net assets increased by 7.38% from \$114,479,146 to \$122,931,899. This increase of \$8,452,753 compares to decrease in net assets of \$(2,975,102) and an increase in net assets of \$11,109,580 during the fiscal years ended June 30, 2022 and 2021, respectively. Over the last three years, our net assets have increased by \$16,587,231 or 15.60%.

Liquidity - It is WELS CEF’s policy to maintain at all times an aggregate operating and reserve liquidity, comprised of cash, cash equivalents, and investments, equal to at least 8% of WELS CEF’s principal balance of all outstanding Certificates to provide for cash requirements of WELS CEF as well as reserve liquidity. As of June 30, 2023, WELS CEF had cash, cash equivalents, and investments equal to 53.39% (which is greater than the NASAA SOP minimum standard of 8%) of the total outstanding Certificates determined as follows:

	<u>06/30/2023</u>
Cash and cash equivalents	\$ 18,790,190
Investments, at fair value	31,172,486
 Total Cash and Investments	 49,962,676
 Certificates Payable	 \$ 93,585,569
 Cash and Investments Percentage of Certificates Payable	 53.39%

Cash Flow – The ratio of available cash, cash equivalents and investments as compared to cash redemptions has been at least one to one. As a result, WELS CEF’s cash flows have been and are anticipated to remain sufficient to meet its cash requirements for expenses as well as payments of interest and principal due on Certificates. However, there is no guarantee that the anticipated results will occur. WELS CEF’s ratio of available cash to cash redemptions for its three most recent fiscal years is at least one to one (1:1) (the NASAA SOP minimum standard) as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net cash from operating activities	\$ 7,852,740	\$ (251,059)	\$ 2,476,734
Cash and cash equivalents (at beginning of fiscal year)	15,667,557	13,258,874	4,742,858
Investments, at fair value (at beginning of fiscal year)	28,919,577	36,736,734	28,076,255
Excess of loan disbursements over loan repayments	5,220,190	2,398,668	(1,570,764)
Cash from sale of Certificates	<u>7,136,456</u>	<u>12,330,291</u>	<u>17,764,456</u>
Total Available Cash	<u>\$ 64,796,520</u>	<u>\$ 64,473,508</u>	<u>\$ 51,489,539</u>
Redemptions of Certificates	\$ 19,018,376	\$ 17,177,897	\$ 11,942,178
Ratio	3.41	3.75	4.31

Loan Delinquencies – As of the year ended June 30, 2023 there were no loans past due 60 days or more, while \$32,273,654 of loans were considered impaired as of June 30, 2023. As of the years ended June 30, 2022 and 2021, there were one and zero loans that were past due 60 days or more at the respective year-end.

Operating Trends – WELS CEF has had a net surplus of income over expenses in four of the last five fiscal years (which is greater than the NASAA SOP minimum standard requiring a surplus at least three out of five years). There is no guarantee that WELS CEF will continue to have a net surplus of income over expenses in the future. Below is a summary of WELS CEF's change in net assets for each of the last five (5) fiscal years:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Change in net assets for the year ended	\$8,452,753	\$(2,975,102)	\$11,109,580	\$1,409,249	\$680,812

Interest Rate Management – WELS CEF's method of determining interest rates on Certificates and loans is based upon an effort to reduce the risks pertaining to the differential between borrowing and lending rates. The annual average interest rate paid on our Certificates during the years ended June 30, 2023, 2022, and 2021 was 1.69%, 1.78%, and 2.08%, respectively. The annual average interest rate earned on our loans was 4.38% for the year ended June 30, 2023, compared to 4.38% and 4.33% for 2022 and 2021, respectively.

DESCRIPTION OF CERTIFICATES

This section describes the terms of our Certificates, which are of three basic types—Investment Certificates, Savings Certificates and Retirement/IRA Certificates.

General Terms

All of our Certificates are subject to the terms described below.

Ownership

In addition to holding a Certificate in your own name, you may purchase and own a Savings Certificate or Investment Certificate in any of the following ways:

- ***Joint Tenant with Right of Survivorship.*** As a joint tenant, you will receive ownership of the entire Certificate if the other owner dies before you. Otherwise, the other owner will become the sole owner upon your death. Unless you specifically request on the Investment Application, the signature of one owner will be sufficient to redeem the Certificate, transfer it or take any other action requiring the consent of the Certificate holder.

- ***Custodian for a Minor.*** We can also facilitate the ownership of a Certificate by a minor under the Wisconsin Uniform Transfers to Minors Act (the “UTMA”). Specifically, ownership will be in your name as “custodian for the Minor under the Wisconsin Uniform Transfers to Minors Act.” The decision to purchase, transfer or gift a Certificate for or to a minor under the UTMA, however, is irrevocable. In addition, as custodian, you are required to request a transfer of the Certificate into the sole name of the minor when the minor turns 21. For more specific information about the UTMA, we recommend that you consult your attorney or financial advisor.
- ***Trusts.*** Certificates may also be purchased in the name of trusts, both revocable and irrevocable. When Certificates are purchased in this form, they will be issued in the name(s) of the current trustee(s) of the trust, in their role as trustee(s) of the trust named on the Investment Application. Unless you specifically authorize otherwise on the Investment Application, the signature of all trustees will be required to redeem or take any other action requiring the consent of the Certificate holder. In addition, we reserve the right to request trust and other documents we deem necessary to confirm the identity and powers of the trustee(s).
- ***Retirement.*** Certificates may be purchased by the trustee or custodian of a self-directed IRA. We currently use TMI Trust Company as our third-party IRA administrator. Because an IRA is subject to specific requirements under the Internal Revenue Code, we do not represent that a Certificate is a permitted investment for an IRA and, therefore, you should consult with your tax advisor and the IRA custodian before directing a purchase of a Certificate for your self-directed IRA.

Book Entry System

We presently use a book entry system to record ownership and invested balances for our Investment Certificates, Savings Certificates and Retirement/IRA Certificates. Under this system, we keep an electronic record of your investment in Certificates. We (or TMI Trust Company in the case of Retirement/IRA Certificates) will send you confirmation of your initial investment and any subsequent additions or redemptions of your investment. We (or TMI Trust Company in the case of Retirement/IRA Certificates) will also send periodic statements showing the amount you have invested with us. Before implementing a book entry system, we used to issue Investment Certificates and Savings Certificates in the form of paper certificates.

Transfer of Certificates

You may not transfer your Certificate to another person without our prior approval. In order to request such a transfer, you must send us a written request, as well as an Investment Application signed by all of the Certificate’s owners. The request should specify the date of transfer and the person to whom you are transferring the Certificate. We may require you to verify the owners’ signatures and/or their ownership. See “Verification of Signatures and Ownership” below.

We will not approve a transfer to any person who is not qualified to purchase a Certificate in this Offering. We will not approve a transfer to any person who lives in a state where our Certificates are not registered or exempt from registration. In addition, we reserve the right to refuse any transfer, with or without cause.

You may not pledge your Certificate as collateral for a loan or otherwise encumber it.

Redemption of Certificates by Us

We may redeem all or a part of the outstanding balance of your Certificate at any time upon 30 days’ prior written notice. We need not obtain your consent before doing so. Any unredeemed part of a Certificate will continue to earn interest and be subject to its original terms.

Priority Relative to Other WELS CEF Debt

Your Certificate will be of equal rank with our other unsecured debt, including Certificates we have issued in the past. Because our Certificates are unsecured, however, your Certificate will be of lesser rank (or lower priority) than any secured debt we incur.

This means that if our assets were distributed to our creditors or sold to pay creditors (for instance due to financial insolvency, bankruptcy or liquidation), our secured creditors would be paid before our Certificate holders. Once our secured creditors were paid, our remaining assets could then be used to pay our general creditors, including our Certificate holders. Because our Certificates are of equal rank, each Certificate holder would receive a pro-rata payment based on the outstanding balance of each Certificate he or she held.

As of June 30, 2023, we had not pledged any of our assets as security for outstanding debt or other obligations. Should we pledge any of our assets as collateral for a secured loan, it is our policy that the amount of pledged assets will not exceed 10% of our tangible assets on the date of the pledge.

Interest Rates

Interest rates are set on our Certificates on the first of each month. In setting the interest rates on Certificates, we may consider interest rates on comparable instruments, market conditions, market indices and other applicable indicators.

No-Interest Certificates

If you would like to provide additional support to the WELS CEF cause, you may request a zero-interest Statement Saving Certificate. See “Tax Considerations” on page 30.

Verification of Signatures and Ownership

Before we redeem a Certificate or approve a transfer request, we may require you to verify the authorizing signature. In the event an owner is deceased, has changed his or her name, or his or her identity is otherwise uncertain, we may also require satisfactory documentary evidence of that owner’s death, identity, or ownership in the Certificate. If a Certificate is payable after the holder’s death, we may request a death certificate.

Discontinued Certificates

We may, on occasion, discontinue certain types of Certificates. When a discontinued Certificate matures, we expect to give investors the option of redeeming the Certificate or reinvesting it in another currently offered Certificate. Fifteen (15) days after maturity, a discontinued certificate will renew into a new Investment Certificate with the next lesser term WELS CEF offers.

Investment Certificates

Our Investment Certificates have fixed interest rates and set maturity periods, as offered by WELS CEF from time to time, of any period from six (6) months to seventy-two (72) months. The interest rates and minimum investments vary depending on the maturity of the Investment Certificate you purchase. Information about minimum investments is set forth on the front page of the Offering Circular, while interest rates current as of the date we sent you this Offering Circular are on the rate sheet enclosed with the Offering Circular.

Interest

The interest rate on each of our Investment Certificates is fixed for the duration of the stated maturity period at the rate in effect for that type of Certificate when purchased.

Interest Payment Options

We pay accrued interest on Investment Certificates every three months. You can choose from two options for the payment of interest on an Investment Certificate. On the payment date, the accrued interest could be:

- paid directly to you by check or electronic funds transfer to a WELS CEF savings or another financial institution account; or
- added to the outstanding principal of the Investment Certificate.

You may change your interest payout option at any time. Such changes will take effect at the time of the next quarterly interest payment, provided your request is received at least five business days before the date of that payment. All requests must be received in writing.

Renewal and Redemption at Maturity

Unless redeemed, our Investment Certificates automatically renew at maturity for another term except in certain states. We send maturity notices with current interest rate information to investors between 45 - 60 days prior to maturity. Unless you have already received one, a current Offering Circular is included with the notice.

To redeem your Certificate at maturity, you must send us a written request for payment, in accordance with our then current procedures, no later than 15 days after the maturity date. Upon receipt of such request, we will promptly redeem

your Investment Certificate and pay you the outstanding principal and accrued interest on your Certificate as of the maturity date.

If you do not request payment at maturity, your Investment Certificate will renew for an additional equal term or, in the case of discontinued maturity terms, the next lesser term then being offered for such Certificate type. Upon renewal, your Certificate will earn interest at the interest rate in effect at the time of maturity for your type of Certificate.

There is no limit on the number of times a Certificate will automatically renew at maturity. See “State Specific Information” beginning on page i for a discussion of states where automatic renewal is not available.

Early Redemption

Generally, you may not redeem Investment Certificates before they mature without penalty. For Investment Certificates terms from 6 to less than 42 months the early withdrawal penalty is 180 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Terms greater than 42 months the early withdrawal penalty is 365 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Minimum penalty is seven (7) days of interest. Our early redemption penalty is subject to change, without notice, at the sole discretion of the WELS CEF Board of Directors’ Investment Committee.

If you wish to redeem a Certificate before it matures, you must send us a written request for redemption, in accordance with our then current procedures. We have the sole discretion to refuse a request for early redemption. Generally, early redemption requests of \$250,000 or more will be processed 30-45 days after receipt of the request. All such requests must be made in writing.

Savings Certificates

We offer two types of Savings Certificates: a One-Year Savings Certificate and a Statement Savings Certificate. Each of our Savings Certificates has an interest rate that varies periodically. Information regarding minimum investments for each type of Savings Certificate is set forth on the front page of this Offering Circular.

Variable Interest

The interest rate on our Savings Certificates varies periodically. The interest rate on Statement Savings Certificates may change as often as every day. For One-Year Savings Certificates, however, the interest rate is set at the time of purchase at the then current rate—like our Investment Certificates. On each anniversary of the One-Year Savings Certificate’s purchase date, the interest rate will change to the then current interest rate for One-Year Savings Certificates.

We will send you a maturity notice with current interest rate information between 45-60 days prior to maturity for One-Year Savings Certificates. We do not send notices with regard to interest rate changes on Statement Savings Certificates, except for the periodic statements described below.

Payment of Interest

We do not pay accrued interest on Statement Savings Certificates directly to you until the Certificate is redeemed. Instead, accrued interest is added to the principal of the Statement Savings Certificate on the anniversary date of each month.

On One-Year Savings Certificates, accrued interest is payable quarterly. You can choose from two options for the payment of interest on a One-Year Savings Certificate. On the payment date, the accrued interest could be:

- paid directly to you by check or electronic funds transfer to a WELS CEF Savings Certificate or another financial institution account; or
- added to the outstanding principal of the One-Year Savings Certificate.

You may change your interest payout option at any time. Such changes will take effect at the time of the next quarterly interest payment, provided your request is received at least five business days before the date of that payment. All requests must be received in writing.

Redemption

You may redeem all or part of the outstanding principal and accrued interest on a Savings Certificate at any time. To make a partial redemption, you must send us a written request for payment, in accordance with our then current procedures, identifying your Certificate and specifying the amount you wish to redeem. We will issue payment to you promptly after we receive this notice.

If you redeem the entire outstanding principal of your Savings Certificate, you must send us a written request for payment identifying your Certificate, in accordance with our then current procedures, and your Savings Certificate will be redeemed and terminated. Therefore, if you want to invest later in another Savings Certificate, you will need to purchase a new Certificate at that point.

Additions to Principal

You may add to the principal of a Savings Certificate at any time and in any amount. All proposed additions are subject to our approval, which we may withhold for any reason. To make an addition to principal, simply send a check for the additional amount made payable to WELS Church Extension Fund together with any form required in accordance with our then current procedures identifying your Certificate and the amount of the addition. We can accept additions to Savings Certificates by electronic funds transfer upon completion of an EFT Authorization Form, in accordance with our then current procedures.

Service Fee

We reserve the right, without further notice, to charge you a service fee of \$0.50 each month that the outstanding principal balance on your Statement Savings Certificate falls below \$100. We will not charge you this fee if the balance of your Certificate falls below the minimum because you have redeemed all of the principal and accrued interest earned on the Certificate.

Periodic Statement

We will send you a statement showing the principal amount of your Savings Certificate as of the date of the statement, as well as the interest earned, redemptions, and additions during the statement period. Statements for Savings Certificates are mailed at the end of each calendar quarter and each time you add to or redeem from your Certificate.

Tiered Interest Rates

Our Savings Certificates may have different tiers of interest rates depending on the outstanding principal balance of the Certificate. See the enclosed rate sheet for current information as of the date we sent you this offering circular. These rates and tiers, if any, are subject to change without advance notice at the sole discretion of the WELS CEF Board of Directors.

Stamp Program

To help teach younger members of WELS Congregations the importance of savings and supporting mission work, we offer a stamp program that allows minor children to ultimately invest in One Year Savings Certificates. We sell stamps to WELS Congregations, and these Congregations then provide these stamps to students in their affiliated Lutheran elementary schools, Sunday schools or early childhood education/care centers in exchange for a nominal contribution of \$1.00 (previously, \$0.25). The students place their collected stamps in a stamp book that we provide. Upon receiving a filled stamp book and a completed investment form related to the stamp program, we will issue a One Year Savings Certificate in the name of an adult as custodian for the benefit of the minor child who collected the stamps. For a Stamp Program certificate to be issued, the student or the adult serving as the custodian must be a member of a WELS church or congregation. The minimum investment requirement for One Year Savings Certificates issued in exchange for stamp books is the value of the stamps contained in a completely filled stamp book. It is our policy to redeem stamp books for cash at the request of a parent or legal guardian for the minor child. Students, parents and custodians are permitted to make additional investments to a Stamp Program certificate at any time once the certificate has been issued. Additional investments can be made by sending in additional stamp booklet(s) or by check, along with a completed investment form related to the stamp program.

Retirement/IRA Certificates

You may purchase a Savings or Investment Certificate to hold in an Individual Retirement Account (IRA) (such a Certificate held in an IRA is referred to in this Offering Circular as a “Retirement/IRA Certificate”). The minimum investment to open a Retirement/IRA Certificate varies with the term you invest in. Typically, our minimum investment is \$5,000 for an Investment Certificate held as a Retirement/IRA Certificate, however, certain term and interest rate offerings may have higher minimum balances required. A Savings Certificate held as a Retirement/IRA Certificate has a \$100 minimum investment required. You are permitted to make additional investments to your outstanding statement savings Retirement/IRA up to one time per month, provided such additions are at least \$100 and are permitted by applicable IRC provisions and regulations.

As part of your investment in a Retirement/IRA Certificate, you will need to open an IRA account with a third-party custodian. As of the date of this Offering Circular, we have an arrangement with TMI Trust Company to act as the custodian for new IRAs opened specifically to hold Retirement/IRA Certificates, although we reserve the right to change this arrangement in the future. Your rights and responsibilities with respect to your IRA will be determined by your direct agreement with the custodian. As of the date of this Offering Circular, TMI Trust Company does impose an annual IRA maintenance fee, however WELS CEF pays that annual fee on behalf of its IRA customers. There is no guarantee that WELS CEF will continue to pay the TMI annual fee if it continues to be imposed in the future.

Interest

Our Retirement/IRA Certificates and IRA Statement investment interest rates mirror our regular investment certificates at the specific term level. We may add or discontinue interest rate tiers, based on minimum dollars invested, to our Retirement/IRA Certificate offering. Normally, we do not pay accrued interest on Retirement/IRA Certificates directly to your IRA until the Certificate is redeemed. Instead, accrued interest is added to the principal of the Certificate. This occurs every three months for Retirement/IRA Certificates.

Renewal and Redemption at Maturity

Unless redeemed, except in certain states, Retirement/IRA Certificates automatically renew at maturity for another term of the same length or for a term of the next lesser duration then offered if the original investment term is no longer offered. We send maturity notices with current interest rate information to investors between 45-60 days prior to maturity. Unless you have already received one, a current Offering Circular is included with the notice.

To redeem your Certificate at maturity, you must send TMI Trust Company a written request for redemption no later than 15 days after the maturity date. Upon receipt of that notice, we will promptly redeem your Retirement/IRA Certificate and pay your IRA custodian the outstanding principal and accrued interest on your Certificate as of the maturity date.

If you do not request payment at maturity, your Retirement/IRA Certificate will renew for an additional term. Upon renewal, your Certificate will earn interest at the then current interest rate for Retirement/IRA Certificates of that size. The renewed Certificate will have the same maturity period as the matured Certificate.

There is no limit on the number of times a Certificate will automatically renew at maturity. See “State Specific Information” beginning on page i for a discussion of states where automatic renewal is not available.

Early Redemption

Generally, you may not redeem a Retirement/IRA Certificate before it matures without penalty, except as part of a required minimum distribution under applicable Internal Revenue Code provisions and regulations. If you wish to redeem a Retirement/IRA Certificate before it matures, you must send TMI Trust Company a written request. We have the sole discretion to refuse a request for early redemption. For Retirement/IRA Certificates terms from 6 to less than 42 months the early withdrawal penalty is 180 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Terms greater than 42 months the early withdrawal penalty is 365 days of interest on the amount withdrawn but not more than the total amount of interest earned during the current term of the investment. Minimum penalty is seven (7) days of interest.

We do not impose an early withdrawal penalty for redemptions of principal that are part of an RMD. However, we may impose an early withdrawal penalty for any redemption of principal not required by the IRC and related regulations. Our

early redemption penalty is subject to change, without notice, at the sole discretion of the WELS CEF Board of Directors. In addition, we may elect to redeem a Retirement/IRA Certificate if its outstanding principal balance falls below the minimum initial investment amount.

In addition to a possible early withdrawal penalty imposed by us, the IRC and related regulations may impose other limitations and penalties on early redemptions. There may be severe tax penalties for early redemption that do not meet the criteria set forth in the IRC and its regulations. You should consult your tax advisor prior to purchasing a Retirement/IRA Certificate or making a redemption of a Retirement/IRA Certificate. Retirement/IRA Certificates are only transferable upon the death of the Certificate owner and only to named beneficiaries of the IRA who are eligible investors. We reserve the right to redeem a Retirement/IRA Certificate and distribute cash to designated beneficiaries of the IRA in place of transferring the Retirement/IRA Certificate to them.

TAX CONSIDERATIONS

This discussion of federal income tax consequences was written to support the promotion or marketing of the Certificates and is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. Each prospective investor is advised to consult the investor's own tax counsel or advisor as to the federal income tax consequences of an investment in the Certificates. You should consult with your tax advisor to determine the particular federal, state, local, or foreign income or other tax consequences particular to your investment in our Certificates.

By purchasing a Certificate, you may be subject to certain income tax provisions of the IRC. Some of the significant federal income tax consequences of purchasing a Certificate include the following:

- Although WELS CEF is a 501(c)(3) organization, you will not be entitled to a charitable deduction for the Certificate you purchase.
- Any interest on your Certificate will be taxed as ordinary income in the year it accrues (unless your Certificate is held in an IRA or various other qualified retirement plans) or is paid to you.
- We will provide you a Federal Income Tax Form 1099-INT or the comparable form by January 31st of each year indicating the interest earned on your Certificate(s) during the previous year.
- You will not be taxed on the return of any principal amount of your Certificate or on the payment of interest that was previously taxed.
- Unless your Certificate is held in an IRA, payments of principal and interest may be subject to "backup withholding" of federal income tax (currently at the rate of 24%), if: you fail to furnish us with a correct Social Security Number or other tax identification number; the IRS notifies us that the taxpayer identification number furnished by you is incorrect; the IRS notifies us that backup withholding is required because you failed to properly report interest, dividends, or patronage dividends in prior taxable years; or you failed to certify, under penalties of perjury, that you are not subject to backup withholding when such certification is required.

In addition, if you (or you and your spouse together) have invested or loaned more than \$250,000 in the aggregate with or to WELS CEF and other charitable organizations that control, are controlled by or under common control with WELS CEF, you may be deemed to receive additional taxable interest under Section 7872 of the IRC if the interest paid to you is below the applicable federal rate. In that situation, the IRS may impute income up to that applicable federal rate. If you believe this applies to you, you should consult your tax advisor.

Individuals who wish to hold their Certificates in an IRA may do so through an arrangement we have with TMI Trust Company, in Atlanta, Georgia. TMI Trust Company – as the custodian of a self-directed IRA – invests your funds in a Retirement Certificate as directed by you.

If the law creating the tax consequences described in this summary changes, this summary could become inaccurate. This summary is based on the IRC, the regulations promulgated under the IRC and administrative interpretations and court decisions existing as of the date of this Offering Circular. These authorities could be changed either prospectively

or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in our Certificates after the date of this Offering Circular.

In addition, this summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, if you are purchasing the Certificates through an Individual Retirement Account or other tax-deferred account, special rules apply to your account. Those rules are not described in this summary. This summary also does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are not a citizen or resident of the United States. Nor does it address any aspect of state or local tax law that may apply to you.

LEGAL MATTERS

At the date of this Offering Circular, there were no known material suits, actions, or other legal proceedings or claims pending or contemplated against us, including by any governmental authorities, administrative bodies, or other administrative persons.

To our knowledge, there is no known litigation, actual or threatened, against any person in his capacity as an officer or director of WELS CEF, or against any of our affiliates, that is related to our offering of Certificates or that we reasonably anticipate to have a material adverse effect on us.

MANAGEMENT

Board of Directors

Our Board of Directors manages the affairs of WELS CEF. Our Bylaws provide that the Board may have between seven and thirteen directors, and our Board had ten members as of the date of this Offering Circular. Each director is elected to a four-year term by the Synodical Council. A director may be removed by the Synodical Council if in its judgment the best interests of WELS CEF will be served thereby, and any vacancy on the Board shall be filled by a person elected by the Synodical Council. The Synodical Council has 21 members, including the Synod president, a lay representative from each of the Synod's 12 districts, three district presidents elected by the Conference of Presidents, and six at large members elected by the Synod convention. A director may not serve more than three terms. As one of the ten directors, the Chief Financial Officer of WELS, as the WELS President's designee, serves as ex-officio, voting member of the board. The Administrator for the Board of Home Missions and the Director of Mission Operations serve as advisors to the Board of Directors. The following individuals serve as our current voting directors:

Seth T. Hansen
Chairman
Brookings, South Dakota
Age 60
Term expires: 6/30/2025

Mr. Hansen currently works as a Project Management consultant. He retired from Daktronics in 2023 after nearly 40 years with them as a Vice President, Project Manager, and Professional Engineer. He has experience in managing primarily sports-related projects, including installations at MLB, NFL, NBA, Major College, and Olympic venues. Mr. Hansen earned a Bachelor of Science in Electrical Engineering in 1985 from South Dakota State University and a Master of Science in Engineering in 1986 also from South Dakota State University. He also serves on the Board of Directors of WELS Investment Funds, since 2017. He serves as Treasurer of Our Savior Lutheran Church and School in Brookings, SD. Mr. Hansen has been a director since 2013.

Timothy C. Boerneke
Vice Chairman
Fox Lake, Wisconsin
Age 60
Term expires: 6/30/2026

Mr. Boerneke is the Vice President-Chief Lending Officer with Ergo Bank, a Community Bank serving the Fox Lake, WI area. He has been with the bank since 1993. In addition to lending, he serves the bank in many capacities including operations, branch management and security. Previously, he was a Senior Underwriter for seven years with a Fortune 500 corporation serving the Midwest. He has served on numerous civic, community and church boards. He previously served as Board Chairman for Winnebago Lutheran Academy. Mr. Boerneke earned a Bachelor of Business Administration – Marketing from University of Minnesota – Mankato. Mr. Boerneke has been a director since 2014.

Ronald D. Kerr
Secretary
Mazomanie, Wisconsin
Age 63
Term expires: 6/30/2025

Mr. Kerr currently acts as a risk advisory and operational consultant. Mr. Kerr has over 30 years of community banking experience which includes roles as President/CEO, holding company CFO, Senior Vice President Operations, Loan Officer (real estate, consumer, agriculture and commercial) and financial and operational consultant. He began his career in public accounting serving clients in the financial, not-for-profit and government industries. He has served on numerous community bank boards as a Director or Secretary. Mr. Kerr earned a Bachelor of Business Administration-Accounting from the University of Wisconsin – Eau Claire in 1986. He is licensed to practice as a Certified Public Accounting (CPA) in the state of Wisconsin. Mr. Kerr has been a director since 2017.

James R. Bodendorfer
Jefferson, Wisconsin
Age 60
Term expires: 6/30/2024

Mr. Bodendorfer currently serves as Vice President – Commercial Lender of First Citizens State Bank, a community bank serving Southeastern Wisconsin. Mr. Bodendorfer recently joined First Citizens State Bank after leaving Citizens Bank after 22 years in similar role. During his banking career, he has been responsible for all areas of lending including compliance and credit administration. He has served on numerous civic, community and church boards. Mr. Bodendorfer earned a Bachelor of Business Administration in 1985 from University of Wisconsin-Oshkosh and is a graduate of the Graduate School of Banking in 1997. Mr. Bodendorfer has been a director since 2020.

Kyle J. Egan
Treasurer / *Ex-officio*
Age 41
Term expires: None, WELS
President’s designee

Mr. Egan has been serving as the Chief Financial Officer and Treasurer of WELS since July of 2020. Prior to assuming his current position, he served as Assistant Treasurer & Director of Investor Relations at Quad/Graphics, Inc. (Quad) and held various other management roles related to treasury, investor relations, pensions, 401(k) plans, technical accounting and external reporting over his 10 year tenure at Quad. Prior to working at Quad, Mr. Egan served as an auditor for the accounting firm Deloitte. He currently serves on the Board of Directors of Chosen Gen Discipleship Ministry. Mr. Egan earned a Bachelor of Business Administration – Accounting from the University of Wisconsin-Whitewater in 2004 and a Master of Professional Accountancy also from the University of Wisconsin-Whitewater in 2005.

Timothy S. Gauger
Rockford, Michigan
Age 60
Term expires: 6/30/2024

Pastor Gauger has served as a pastor at Christ Our Savior Lutheran Church in Rockford, Michigan since 1989. He was the congregation's founding pastor and is currently its senior pastor. He has served on the Wisconsin Lutheran College Board of Regents, the WELS Board for Home Missions, and the Michigan District Mission Board. Pastor Gauger graduated from Northwestern College with a Bachelor of Arts degree in 1985 and from Wisconsin Lutheran Seminary with a Master of Divinity degree in 1989. Pastor Gauger has been a director since 2012.

Timothy W. Gensmer
Sarasota, Florida
Age 65
Term expires: 6/30/2025

Mr. Gensmer currently practices law in Sarasota, Florida. He has been a sole practitioner since 1992. Mr. Gensmer practiced law in Minneapolis, Minnesota from 1984 to 1985. Mr. Gensmer moved to Sarasota, Florida in 1985 and was an associate in the Sarasota office of the Chicago, Illinois law firm of Siemon, Larsen, Mattlin & Purdy. In March 1988, he joined the Sarasota law firm of Icard Merrill, where he practiced until he started his own firm in 1992. He received his undergraduate degree from the University of Wisconsin-La Crosse in 1980. He received his Juris Doctorate degree from Creighton University in 1984. Mr. Gensmer has been a director since 2016.

Mark D. Hartman
Houston, Texas
Age 63
Term expires: 6/30/2026

Mr. Hartman retired in 2015 from the oil and gas exploration business where he worked for 33 years. He graduated with a Bachelor of Science in Electrical Engineering in 1982 from Texas Tech University and began his career as a geophysicist with Shell Oil. Over a 17 year period he worked in a variety of technical and management roles. After his Shell Oil experience, he worked for Meridian Resources and served as Vice President of Exploration. In 2004, he joined Yuma Exploration and Production Company, a small private company, where he served in a variety of positions and ultimately became Vice President of Exploration. Mr. Hartman also serves on the South Central District Mission Board, Board for Home Missions and Board for Home Missions Executive Committee. Mr. Hartman has been a director since 2018.

David R. Hiron
Vista, California
Age 62
Term expires: 6/30/2024

Mr. Hiron currently serves as Senior Vice President at Wedbush Securities in San Diego, CA where he leads a team practice serving the investment needs of clients for 27 years. He has served corporate, non-profit and individual investors in over 40 states. A focus of the practice has been retirement, estate and financial planning. The team maintains a retail investment advisory based in San Diego, CA. Prior to that, he worked 15 years for the Dayton Hudson Corporation (currently Target Corp.) in a Strategic Marketing role. He was involved with a mission start-up project in Lexington, Kentucky. He has served on the Development Board of California Lutheran High School. He currently serves his home congregation Beautiful Saviour Lutheran Church in Carlsbad, CA in an Evangelism role. He received a Bachelor of Science degree in Business Administration – Marketing from the University of Wisconsin-Milwaukee in 1986. In 1986 he also received a degree in Mechanical Engineering from Milwaukee School Of Engineering. Mr. Hiron has been a director since 2016.

Joel D. Kock
Omaha, Nebraska
Age 53
Term expires: 6/30/2027

Mr. Kock is a sales, marketing and business development executive from Omaha, NE. He is currently employed at Ecolab, fulfilling sales development leadership role in the Midwest region. Prior to this role, Mr. Kock was a Regional Manager in the international travel sector, helping pastors organize and lead Biblical tours overseas to places like Israel, Greece, and Germany. Prior to this role, Mr. Kock was employed from 2013-2018 as the Executive Director at The First Tee of Omaha, an internationally acclaimed youth development program centered around the game of golf. As a volunteer lay leader, Mr. Kock served 5 years on the South Atlantic District Mission Board from 2008-2013. He was also a full-time employee at CEF from 2000-2005 serving as VP-Marketing/Investments from 2002-2005 and as Loan Origination Manager from 2000-2002. He received his Bachelor of Science degree in Business Administration – Marketing from the University of Tulsa in 1992. Mr. Kock has been a director since 2018.

Officers

Our executive officers are appointed by our Board of Directors to manage the day-to-day operations of WELS CEF.

Scott B. Page
Executive Director
Oconomowoc, Wisconsin
Age 66

Mr. Page currently serves as Executive Director since September of 2015. Mr. Page began with WELS CEF in June of 2014 where he served as the Loan Servicing Manager. Prior to his work with CEF, Mr. Page was a Senior Vice President at JPMorgan Chase serving as a retail mortgage risk director. His 28-year career with JPMC also included senior management roles in credit administration, underwriting, fulfillment, operations, site management, marketing / sales administration, retail district / branch management, and officer positions in consumer and small business lending. Prior to his employment with JPMC, he worked in the indirect automobile financing/servicing and consumer lending industry. Mr. Page is a 1979 graduate of the University of Wisconsin-La Crosse with a Bachelor of Science degree in Administration / Recreation Management.

Brian E. Roser
Assistant Executive
Director
New Berlin, Wisconsin
Age 57

Mr. Roser has been an employee of WELS serving as the Loan Servicing Manager for WELS CEF since January 2016. The previous 5 years he worked for JPMorgan Chase Bank as a home equity mortgage underwriter. From 2004-2010, Mr. Roser was the Executive Administrator for Lutheran Association for Church Extension, Inc. (LACE). His prior banking experience includes management roles in client relations, consumer lending and loss mitigation. Mr. Roser graduated from the University of Wisconsin-Milwaukee in 1988 with a Bachelor of Business Administration degree in Finance.

Compensation

Members of our Board of Directors do not receive compensation as directors. They are, however, reimbursed for expenses incurred in attending board meetings.

In the aggregate, our officers earned approximately \$208,933 in salary and benefits, including health insurance and pension, for their services to WELS CEF during the year ended June 30, 2023. No officer, director or employee earned total compensation of \$150,000 or more from WELS CEF.

AUDITED FINANCIAL STATEMENTS

The financial statements as of and for the years ended June 30, 2023, 2022, and 2021, included in this offering circular have been audited by Baker Tilly US, LLP, independent auditors, as stated in their report appearing therein.

It is our policy to mail our Offering Circular, which includes the audited financial statements to current investors each year within 120 days of our fiscal year end, and upon written request.

Independent Auditors' Acknowledgment

To the WELS Church Extension Fund, Inc.
Board of Directors and Accounting Oversight Committee

We hereby agree to the inclusion of our report on the financial statements of WELS Church Extension Fund, Inc. for the years ended June 30, 2023, 2022 and 2021, dated September 12, 2023, in Exhibit A of the Offering Circular of WELS Church Extension Fund, Inc. and to the reference to our Firm under the caption "AUDITED FINANCIAL STATEMENTS."

Baker Tilly US, LLP

Milwaukee, Wisconsin
September 12, 2023

WELS CHURCH EXTENSION FUND, INC.
Waukesha, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended June 30, 2023, 2022, and 2021

WELS CHURCH EXTENSION FUND, INC.

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As of and for the Years Ended June 30, 2023, 2022, and 2021

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Independent Auditors' Report

To the WELS Church Extension Fund, Inc. Board of Directors and Accounting Oversight Committee of Wisconsin Evangelical Lutheran Synod

Opinion

We have audited the financial statements of WELS Church Extension Fund, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023, 2022, and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 the Organization as of June 30, 2023, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 the Organization'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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
September 12, 2023

WELS CHURCH EXTENSION FUND, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Cash and cash equivalents	\$ 18,790,190	\$ 15,667,557	\$ 13,258,874
Investments, at fair value	31,172,486	28,919,577	36,736,734
Gifts and bequests receivable	813,099	267,000	1,000
Accrued interest receivable	512,632	522,444	545,755
Loans receivable from congregations and others, net of allowance for loan losses of \$4,976,476, \$4,968,498, and \$5,798,170, respectively	169,829,869	175,058,037	177,991,399
Interest in net assets of WELS Foundation	528,362	482,693	546,768
Other assets	<u>126,194</u>	<u>79,299</u>	<u>10,517</u>
TOTAL ASSETS	<u>\$ 221,772,832</u>	<u>\$ 220,996,607</u>	<u>\$ 229,091,047</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Certificates payable	\$ 79,021,917	\$ 88,376,938	\$ 90,580,578
Certificates payable - related parties	14,563,652	15,717,905	16,822,977
Accounts payable and accrued expenses	71,455	69,302	62,810
Deposits payable	257,688	257,851	257,814
Grants payable	573,059	1,199,866	2,049,701
Amounts held in escrow	3,147,713	104,356	938,815
Due to related WELS entity, net	978,700	558,485	655,502
Accrued interest payable	<u>226,749</u>	<u>232,758</u>	<u>268,602</u>
Total liabilities	<u>98,840,933</u>	<u>106,517,461</u>	<u>111,636,799</u>
NET ASSETS			
Without donor restrictions			
Undesignated	-	-	-
Designated by the Board	<u>91,231,063</u>	<u>85,076,888</u>	<u>81,170,274</u>
Total without donor restrictions	<u>91,231,063</u>	<u>85,076,888</u>	<u>81,170,274</u>
With donor restrictions			
Purpose restricted	6,617,949	4,319,371	11,201,087
Perpetual in nature/endowments	<u>25,082,887</u>	<u>25,082,887</u>	<u>25,082,887</u>
Total with donor restrictions	<u>31,700,836</u>	<u>29,402,258</u>	<u>36,283,974</u>
Total net assets	<u>122,931,899</u>	<u>114,479,146</u>	<u>117,454,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 221,772,832</u>	<u>\$ 220,996,607</u>	<u>\$ 229,091,047</u>

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

WELS CHURCH EXTENSION FUND, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2023, 2022 and 2021

	2023	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenues and gains:			
Interest - lending activities	\$ 7,692,197	\$ 7,929,169	\$ 8,103,622
Investment returns, net	904,300	40,290	-
Gifts and bequests	1,429,035	578,512	305,337
Net gain on sale of real estate held for resale	-	516,773	16,061
Other	-	-	111,462
Net assets released from restrictions	1,200,431	1,189,649	1,088,221
Total revenues and gains	11,225,963	10,254,393	9,624,703
Expenses and losses:			
Interest expense	1,704,665	1,884,766	2,161,604
Grants	2,367,438	4,340,837	2,736,375
Provision for/(recapture of) loan losses	7,978	(1,002,867)	576,621
General and administrative	409,321	405,634	328,727
Other	582,386	719,409	612,702
Total expenses and losses	5,071,788	6,347,779	6,416,029
Change in net assets without donor restrictions	6,154,175	3,906,614	3,208,674
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS			
Investment returns, net	3,438,562	(5,688,783)	8,724,887
Change in net assets held by WELS Foundation	60,447	(3,284)	264,240
Net assets released from restrictions	(1,200,431)	(1,189,649)	(1,088,221)
Change in net assets with donor restrictions	2,298,578	(6,881,716)	7,900,906
Total change in net assets	8,452,753	(2,975,102)	11,109,580
NET ASSETS, BEGINNING OF YEAR	114,479,146	117,454,248	106,344,668
NET ASSETS, END OF YEAR	\$ 122,931,899	\$ 114,479,146	\$ 117,454,248

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

WELS CHURCH EXTENSION FUND, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023, 2022, and 2021

	2023		
	Program	General & Administrative	Total Expenses
Interest expense	\$ 1,704,665	\$ -	\$ 1,704,665
Grants	2,367,438	-	2,367,438
Professional services, insurance and marketing	222,857	198,902	421,759
Wages and benefits	276,953	193,515	470,468
Provision for loan losses	7,978	-	7,978
Travel, meetings and supplies	76,643	16,903	93,546
Other	5,934	-	5,934
Total expenses	\$ 4,662,468	\$ 409,320	\$ 5,071,788
	2022		
	Program	General & Administrative	Total Expenses
Interest expense	\$ 1,884,766	\$ -	\$ 1,884,766
Grants	4,340,837	-	4,340,837
Professional services, insurance and marketing	253,058	198,480	451,538
Wages and benefits	354,749	187,036	541,785
Recapture of loan losses	(1,002,867)	-	(1,002,867)
Travel, meetings and supplies	70,664	20,118	90,782
Other	40,938	-	40,938
Total expenses	\$ 5,942,145	\$ 405,634	\$ 6,347,779
	2021		
	Program	General & Administrative	Total Expenses
Interest expense	\$ 2,161,604	\$ -	\$ 2,161,604
Grants	2,736,375	-	2,736,375
Professional services, insurance and marketing	209,843	145,389	355,232
Wages and benefits	337,502	181,445	518,947
Provision for loan losses	576,621	-	576,621
Travel, meetings and supplies	65,357	1,893	67,250
Total expenses	\$ 6,087,302	\$ 328,727	\$ 6,416,029

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

WELS CHURCH EXTENSION FUND, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023, 2022 and 2021

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Gifts and bequests	\$ 897,714	\$ 373,303	\$ 518,633
Amounts held in escrow	3,043,357	(834,459)	316,420
Investment income	8,606,309	7,992,660	8,058,786
Interest paid	(1,513,337)	(1,756,823)	(2,019,827)
Payments to employees and suppliers	(1,030,515)	(1,146,395)	(938,685)
Grants to WELS congregations	(892,807)	(3,561,814)	(2,815,003)
Change in amounts due to related parties, net	(1,251,884)	(1,276,630)	(754,479)
Other	(6,097)	(40,901)	110,889
	<u>7,852,740</u>	<u>(251,059)</u>	<u>2,476,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of real estate held for resale	-	2,054,334	452,861
Investments:			
Purchases and dividend reinvestments	(626,676)	(613,032)	(1,479,785)
Proceeds from sales and maturities	1,185,653	2,128,484	1,063,924
Loans:			
Disbursements	(14,552,054)	(10,619,113)	(17,810,438)
Proceeds from payments on loans	19,772,244	13,017,781	16,239,674
	<u>5,779,167</u>	<u>5,968,454</u>	<u>(1,533,764)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest reinvested	1,372,646	1,538,894	1,750,768
Certificate sales	7,136,456	12,330,291	17,764,456
Certificate redemptions	(19,018,376)	(17,177,897)	(11,942,178)
	<u>(10,509,274)</u>	<u>(3,308,712)</u>	<u>7,573,046</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,122,633	2,408,683	8,516,016
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>15,667,557</u>	<u>13,258,874</u>	<u>4,742,858</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,790,190</u>	<u>\$ 15,667,557</u>	<u>\$ 13,258,874</u>
NONCASH INVESTING ACTIVITIES			
Transfers from loans to real estate held for resale	\$ -	\$ 1,537,561	\$ -
Loans receivable from congregations and others (charged off)/recovered	\$ -	\$ 173,195	\$ (327,832)

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

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

WELS Church Extension Fund, Inc. (WELS CEF) is a Wisconsin nonstock, not-for-profit religious corporation, which accepts investments from Wisconsin Evangelical Lutheran Synod (WELS) entities, congregations, and members in order to provide financing to qualified congregations for purposes of acquiring land and buildings or renovating ministry facilities. WELS is a Wisconsin not-for-profit religious organization of congregations, pastors, and teachers that believe in a common theological doctrine and is the sole corporate member of WELS CEF. WELS CEF is included in the consolidated financial statements of WELS. In addition to WELS CEF, WELS has eight additional legal entities to carry out its activities, including:

- Wisconsin Lutheran Seminary, Inc. (WLS) — WLS is WELS' seminary in Mequon, WI focused on the theological training of men who intend to enter the pastoral ministry of WELS.
- Martin Luther College (MLC) — MLC is WELS' college in New Ulm, MN that specializes in training pastors, teachers, staff ministers, and early childhood coordinators and care providers to serve WELS.
- Michigan Lutheran Seminary (MLS) — MLS is a WELS preparatory school in Saginaw, MI focused on training students for the public ministry of WELS.
- Luther Preparatory School, Inc. (LPS) — LPS is a WELS preparatory school in Watertown, WI focused on training students for the public ministry of WELS.
- Northwestern Publishing House (NPH) — NPH develops, publishes, and sells Biblically sound Christ-centered resources including curriculum, periodicals, books, pamphlets, and other religious materials within WELS.
- WELS Foundation, Inc. (WELS Foundation) — WELS Foundation supports the philanthropic desires of Christians by providing planned giving services and administrative support for donor directed gifts benefiting WELS' congregations and ministries.
- WELS Investment Funds, Inc. (WIF) — WIF provides and manages investment portfolios for the benefit of WELS and its schools, congregations, and other affiliated organizations.
- WELS Historical Institute (WHI) — WHI was founded to preserve and present the history of WELS.

(b) Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). This 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, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Presentation (continued)

The net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WELS CEF have been grouped into the following two classes:

Without donor restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets without donor restrictions generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses on investments, less the expenses incurred in providing services, and performing administrative functions.

Net assets without donor restrictions have been designated by the Board of Directors in a manner that prudently and sufficiently reflects the WELS CEF's planning for operations, investor withdrawals, loan opportunities, grants, regulatory compliance, and contingencies.

With donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Net assets with time or purpose restrictions are released from restrictions by the passage of time or by actions of WELS CEF, pursuant to the donors' stipulations.

Some net assets with donor restrictions provide that the assets be maintained in perpetuity while permitting WELS CEF to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board of Directors approved spending policy.

See Note 8 for additional information on designation of net assets without donor restrictions and net assets with purpose, time or in perpetuity donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Interest and dividends and gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-stipulated purpose or time restrictions are reported as net assets released from restrictions between the two classes of net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of money market accounts and commercial paper purchased with original maturities of 90 days or less.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and Cash Equivalents (continued)

WELS CEF maintains amounts in bank accounts which, at times, may exceed federally insured limits of \$250,000 per institution. WELS CEF has not experienced any losses in such accounts, and management does not anticipate losses in the future.

(d) Liquidity and Availability

WELS CEF has financial assets available within one year of the Statement of Financial Position date for operating expenses, loan demand and certificate redemptions as follows:

	As of June 30		
	2023	2022	2021
Cash and cash equivalents	\$ 18,790,190	\$ 15,667,557	\$ 13,258,874
Investments, at fair value	31,172,486	28,919,577	36,736,734
Gifts and bequests receivable	813,099	267,000	1,000
Accrued interest receivable	512,632	522,444	545,755
Total	\$ 51,288,407	\$ 45,376,578	\$ 50,542,363

As part of WELS CEF's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. WELS CEF is substantially supported by loan interest payments that are due at the beginning of each month.

WELS CEF strives to maintain available cash and cash equivalents and investments to meet normal operating expenses and at least 8.0% of the total of certificates payable which was \$7,486,846, \$8,327,587, and \$8,592,284 as of June 30, 2023, 2022 and 2021, respectively. WELS CEF investments can be liquidated without penalty. The Board of Directors has designated certain net assets for future years or purposes. Since the Board of Directors has the right to undesignate these assets at any given time, they are included in the financial assets available to meet cash needs for general expenditures within one year.

(e) Investments

A managed investment fund is used for monies that are held for investment until needed in operations. WELS CEF currently has investments in the WIF WELS Endowment Fund which has a target asset allocation comprised of 75% equities and 25% fixed income. Historically, WELS CEF has invested in other WIF funds, corporate bonds and commercial paper with original maturities over 90 days.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments (continued)

Interest, dividends, and realized and unrealized gains and losses are reflected as increases or decreases in net assets without donor restrictions in the Statements of Activities, unless use of the related assets is limited by donor restrictions. Realized gains or losses determined on the basis of the cost of specific investments sold are included in earnings. Investment transactions are recorded on a trade date basis. Investment return is presented net of external and internal expenses.

Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

(f) Gifts and Bequests Receivable

Gifts receivable are recorded when sufficient verifiable evidence exists documenting that an unconditional promise was made by the donor and received by WELS CEF.

Bequests receivable consist of known estates and are recorded when a benefactor has died, named the WELS CEF as a beneficiary, probate court declares the will valid, and the amount of the potential bequest is reasonably ascertainable. Such assets are considered restricted until the assets are received from the donor and any related donor restriction is met.

(g) Accrued Interest Receivable

Accrued interest receivable consists of interest due from investments and loans to congregations.

(h) Real Estate Held for Resale

Property received from a congregation is recorded as real estate held for resale, until sold. Real estate held for resale is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of real estate property collateralizing a loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. 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 expense. Operating costs after acquisition are expensed.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Real Estate Held for Resale (continued)

As of June 30, 2023 there was no real estate held for resale. Real estate held for resale with a net carrying value of \$1,537,561 was sold during 2022. As of June 30, 2022 there was no real estate held for resale. WELS CEF recognized a gain of \$516,773 on the sale of this property. Real estate held for resale with a net carrying value of \$436,800 was sold during 2021. As of June 30, 2021 there was no real estate held for resale. WELS CEF recognized a gain of \$16,061 on the sale of this property.

(i) Loans Receivable from Congregations and Others

Loans that management has the ability and intent to hold for the foreseeable future are recorded at the amount advanced to the borrower, less an allowance for loan losses, and adjusted for foreign currency valuation. Interest income on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest income is discontinued when management becomes aware of facts or circumstances that may adversely impact the ability to collect on the principle and interest within the normal terms of the loan. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, future payments are reasonably assured and the loan is returned to normal terms.

The loan portfolio is segmented into construction loans, self-supporting loans and loans to mission congregations. Construction loans are loans in the construction stage and are not completed to the point where a permanent occupancy permit has been granted by the governing municipality. Self-supporting loans are loans to WELS congregations that have not received monetary support from the WELS Board for Home Missions since the inception of the loan. Loans to mission congregations are loans to WELS congregations that were receiving subsidy and support from the Board for Home Missions when their loans were initially granted.

(j) Allowance for Loan Losses

The allowance for loan losses is increased by a provision for loan losses charged to expense and reduced by the recapture of loan losses previously charged to expense and loans charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for probable and inherent loan losses based on management's evaluation of the anticipated impact on the loan portfolio of current economic conditions, changes in the character and size of the portfolio, past loan loss experience, the financial condition of the borrower, and other pertinent factors that management believes require current recognition in estimating probable loan losses.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Allowance for Loan Losses (continued)

A loan is considered impaired when, based on current information and events, it is probable that WELS CEF will be unable to collect the scheduled payments of principal or interest due according to contractual terms of the original loan agreement. Loans that are less than 90 days past due are generally not classified as impaired. Impairment is measured on a loan-by-loan basis by the fair value of collateral less estimated cost to sell.

Under certain circumstances, WELS CEF will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if WELS CEF, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above in the fiscal year of the restructuring. Specific reserves are established for any TDR for which the recorded investment in the loan exceeds the fair value of the loan, less estimated costs to sell. In subsequent years a restructured loan may cease being classified as impaired if the loan was modified at a market rate and is performing according to the modified terms. TDR concessions can include reduction of interest rates and/or extension of maturity dates. Restructured loans can involve loans remaining on nonaccrual, moving to nonaccrual or continuing on accrual status, depending on the individual facts and circumstances of the borrower. Nonaccrual restructured loans are included and treated with other nonaccrual loans. In most instances, management restructures the loan prior to them becoming past due more than 90 days resulting in them being impaired.

(k) Interest in Net Assets of WELS Foundation

Interest in net assets of WELS Foundation consists of deferred giving instruments and other assets. Deferred giving instruments are irrevocable and their maturity is based on the occurrence of some future event, usually the death of the donor. These assets are recorded at fair value.

(l) Other Assets

Other assets consist of prepaid insurance and loan fees receivable.

(m) Certificates Payable

Certificates payable consist of interest bearing unsecured debt securities payable primarily to WELS members, WELS congregations and WELS affiliated organizations (see Note 7).

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists of unpaid invoices, unclaimed property, wages and compensated absences.

(o) Deposits Payable

Deposits payable consists of purchases of stamps by congregations to provide to their students. Students with filled stamp books can then use the books to open a one year savings certificate.

(p) Grants Payable

Grant commitments on loans are considered unconditional contributions and are recorded as liabilities in the Statements of Financial Position when approved by WELS CEF, the appropriate down payment has been received and the loan commitment letter has been duly executed. These grant commitments reflect an upfront discount on the original loan value, reducing the total overall loan commitment.

(q) Amounts Held in Escrow

Amounts held in escrow are made up of down payments from borrowers that have not yet been disbursed. WELS CEF will use these funds for either construction draws or to combine with a loan for the purchase of land or facilities.

(r) Due to Related WELS Entity

Due to related WELS entity represents related party payables for items paid by WELS on behalf of WELS CEF and grants to WELS Home Missions.

(s) Accrued Interest Payable

Accrued interest payable consists of interest due to certificate holders that has not yet been paid out.

(t) Gifts and Bequests

Gifts and bequests, including amounts received by WELS Foundation for the benefit of WELS CEF, are reported as without donor restrictions or with donor restrictions based on the donor's explicit stipulation or from circumstances surrounding the contribution that make clear the donor's implicit restriction on its use. Assets are released from restrictions when the stipulated time has lapsed, the stipulated purpose has been fulfilled, or both.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Gifts and Bequest (continued)

Unconditional contributions are recognized when cash or promises to give are received. Conditional contributions, 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. There are no conditional amounts remaining as of June 30, 2023 expected to be recognized in the next fiscal year.

(u) Mission Advancement

Christian giving activities related to gifts and contributions received by WELS CEF are incurred at WELS. Therefore, no Christian giving expenses are reflected on the Statements of Activities of WELS CEF.

(v) Cost Allocation

Expenses that solely benefit program or general & administrative functional expense categories are directly charged when incurred. Wages and benefits are allocated between program and general & administrative functional expense categories based on time studies.

(w) Foreign Currency and Translation

WELS CEF incurs foreign exchange risk related to its loans denominated in Canadian dollars that are subject to foreign currency rate changes. These loans are translated into U.S. dollars at the fiscal year-end exchange rate as reported by the Federal Reserve. Scheduled loan amortization payments and loan repayments are translated at the foreign currency rate in effect at the time of deposit to the bank account. Foreign currency gains and losses recorded within "Other" on the Statements of Activities are as follows:

	For the Year Ended June 30		
	2023	2022	2021
Foreign currency translation gain/(loss)	\$ (43,937)	\$ (54,376)	\$ 93,028

(x) New Accounting Standards

WELS CEF adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-12, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach during the year ended June 30, 2023. The ASU requires lessees to recognize the assets and liabilities that arise from leases on the statements of financial position. The adoption of ASU No. 2016-12 during the fiscal year ended June 30, 2023, did not result in a cumulative adjustment to beginning net assets or have any other significant impact on the financial statements of WELS CEF.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New Accounting Standards (continued)

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This ASU replaces the current incurred loss impairment methodology. WELS CEF has not yet adopted this new accounting standard as the ASU will be effective for the fiscal year ended June 30, 2024. Management is currently assessing the effect that ASU 2016-13 will have on the financial statements of WELS CEF.

NOTE 2 - SIGNIFICANT EVENTS

On March 11, 2020 the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic as a result of the global spread of the coronavirus illness. In response to the outbreak, federal and state authorities in the U.S. introduced various measures to try to limit or slow the spread of the virus, including nonessential business closures, stay-at-home orders and strict social distancing. WELS CEF transitioned the majority of the WELS CEF workforce to remote work which has allowed WELS CEF not to incur any significant disruptions to its business activities. In April 2020, the Board of Directors approved a lending moratorium as a result of the pandemic which was rescinded on March 22, 2021.

As a result of the COVID-19 pandemic, the United States government passed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which provides various measures to assist individuals and businesses impacted by the economic effects of the the COVID-19 pandemic. Section 4013 of the CARES Act allows for suspending the application of certain current TDRs accounting guidance under Accounting Standards Codification (ASC) 310-40 for loan modifications related to the COVID-19 pandemic made between March 1, 2020 and the earlier of December 31, 2020 subsequently extended until December 31, 2021, provided certain criteria are met. This relief can be applied to loan modifications for borrowers that were not more than 30 days past due as of December 31, 2019 and to loan modification that defer or delay the payment of principal or interest, or change the interest rate on the loan.

To work with borrowers impacted by COVID-19, WELS CEF offered short-term (i.e., three months) interest only payments on a case by case basis to borrowers who were current in their payments at the time of the request. In total, WELS CEF entered into five such loan modification agreements with respect to \$6,171,865 of loans outstanding. For loans subject to the program, each borrower was required to resume making regularly scheduled loan payments at the end of the modification period and the deferred amounts will be moved to the end of the loan term. The loans were not reported as past due during the deferral period. All five borrowers under the COVID-19 modification agreement have returned to normal payment terms.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 3 - TAX-EXEMPT STATUS

The Internal Revenue Service has determined and informed WELS CEF, by a letter dated February 4, 1994, that WELS CEF is designed in accordance with applicable sections of the Internal Revenue Code and is exempt from federal income taxes. As of June 30, 2023, 2022 and 2021, WELS CEF had no uncertain tax positions.

NOTE 4 - FAIR VALUE ACCOUNTING

WELS CEF utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. WELS CEF is able to classify fair value balances based on observability of those inputs. Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by accounting standards are as follows:

Level 1 – Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Fair value is based upon quoted prices for similar, but not identical, assets and liabilities in active markets, and other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. This also includes 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, or inputs that are derived principally from or corroborated by observable market data. Level 2 consists of commercial paper with original maturities over 90 days.

Level 3 – Fair value is based upon financial models using primarily unobservable inputs. Unobservable inputs reflect WELS CEF's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Level 3 consists of interests in net assets of WELS Foundation, real estate held for resale and certain loans receivable from congregations and others.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

While WELS CEF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date and their placement within the fair value hierarchy levels.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 4 - FAIR VALUE ACCOUNTING (continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Commercial paper with original maturities over 90 days: The fair value of commercial paper is estimated using broker quotes that utilize observable market inputs.

Investments of WIF: Fair values are estimated using the Net Asset Value (NAV) practical expedient which is derived monthly based on WELS CEF's proportionate share of the WIF investment pool strategy they were invested in. Investments held by WIF are valued at observable market prices determined at the close of the New York Stock Exchange on the day of valuation.

Interest in net assets of WELS Foundation: Interest in net assets of WELS Foundation are valued based on significant unobservable inputs (entity specific estimates of cash flows). Since WELS CEF has an irrevocable right to receive income earned from the trust's assets, the fair value of WELS CEF's beneficial interest is estimated to approximate the fair value of trust assets held by the WELS Foundation.

Real estate held for resale: Loans on which the underlying collateral has been repossessed are initially recorded at the fair market value of the real estate acquired less estimated costs to sell. Subsequently, real estate is carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral.

Loans receivable from congregation and others, net of valuation allowance: WELS CEF does not record these loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses may be established. The specific reserves for collateral dependent impaired loans are based on the fair value of the collateral less estimated cost to sell. The fair value of collateral was determined based on appraisals. In some cases, adjustments were made to the appraised values due to various factors, including age of appraisal, age of comparable properties included in the appraisal, and known changes in the market.

The following tables set forth by level within the fair value hierarchy WELS CEF's financial instruments that were accounted for at fair value on a recurring basis as of June 30:

	2023			
	Total	Level 1	Level 2	Level 3
Interest in net assets of				
WELS Foundation	<u>\$ 528,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,362</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 4 - FAIR VALUE ACCOUNTING (continued)

	2022			
	Total	Level 1	Level 2	Level 3
Interest in net assets of WELS Foundation	<u>\$ 482,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,693</u>
	2021			
	Total	Level 1	Level 2	Level 3
Investments: Commercial Paper (over 90 days)	<u>\$ 999,516</u>	<u>\$ -</u>	<u>\$ 999,516</u>	<u>\$ -</u>
Interest in net assets of WELS Foundation	<u>\$ 546,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,768</u>

WELS CEF investments in WIF of \$31,172,486, \$28,919,577, and \$35,737,218 were in the WELS Endowment Fund as of June 30, 2023, 2022 and 2021, respectively.

There are no unfunded commitments related to WIF investments at June 30, 2023, 2022 and 2021. WIF processes transactions on the first business day of the month following the month of receipt or request for withdrawal. Additions and or withdrawal requests must be received by WIF at least one business day prior to month end. Funds received by WIF prior to month end are held in a non-interest-bearing cash account.

A determination to classify a financial instrument within Level 3 of the valuation hierarchy is based upon the significance of the observable factors to the overall fair value measurement. However, Level 3 financial instruments typically include in addition to the unobservable or Level 3 components, observable components.

Activity related to Level 3 financial instruments measured at fair value on a recurring basis using significant unobservable inputs included:

- There were no purchases during the years ended June 30, 2023, 2022 or 2021.
- There were no issuances during the years ended June 30, 2023, 2022 or 2021.
- There were no transfers into Level 3 during the years ended June 30, 2023, 2022 or 2021.
- There were no transfers out of Level 3 during the years ended June 30, 2023, 2022 and 2021.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 4 - FAIR VALUE ACCOUNTING (continued)

WELS CEF also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market and had a fair value below cost at the end of the period as summarized below:

	Balance at June 30, 2023	Level 1	Level 2	Level 3
Loans receivable from congregations and others, net of allowance for loan losses	\$ <u>12,458,824</u>	\$ -	\$ -	\$ <u>12,458,824</u>
Total	\$ <u>12,458,824</u>	\$ -	\$ -	\$ <u>12,458,824</u>
	Balance at June 30, 2022	Level 1	Level 2	Level 3
Loans receivable from congregations and others, net of allowance for loan losses	\$ <u>13,758,450</u>	\$ -	\$ -	\$ <u>13,758,450</u>
Total	\$ <u>13,758,450</u>	\$ -	\$ -	\$ <u>13,758,450</u>
	Balance at June 30, 2021	Level 1	Level 2	Level 3
Loans receivable from congregations and others, net of allowance for loan losses	\$ <u>7,827,650</u>	\$ -	\$ -	\$ <u>7,827,650</u>
Total	\$ <u>7,827,650</u>	\$ -	\$ -	\$ <u>7,827,650</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 5 - INVESTMENTS

The fair value of investment securities are as follows:

	As of June 30,		
	2023	2022	2021
Fair value:			
WIF - WELS Endowment Fund	\$ 31,172,486	\$ 28,919,577	\$ 35,737,218
Commercial Paper (over 90 days)	-	-	999,516
Total fair value	<u>\$ 31,172,486</u>	<u>\$ 28,919,577</u>	<u>\$ 36,736,734</u>

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS

Components of loans receivable from congregations and others, net, at June 30, are as follows:

	2023	2022	2021
Construction loans	\$ 16,515,540	\$ 12,228,925	\$ 31,211,618
Self-supporting loans	54,561,898	60,515,745	57,096,755
Loans to mission congregations	103,728,907	107,281,865	95,481,196
Allowance for loan losses	<u>(4,976,476)</u>	<u>(4,968,498)</u>	<u>(5,798,170)</u>
Loans receivable from congregations and others, net	<u>\$ 169,829,869</u>	<u>\$ 175,058,037</u>	<u>\$ 177,991,399</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

A summary of the activity in the allowance for loan losses by class of loan is as follows:

	Construction Loans	Self- Supporting Loans	Loans to Mission Congregations	Total
<u>Allowance for loan losses:</u>				
Balance, July 1, 2022	\$ 183,434	\$ 2,204,442	\$ 2,580,622	\$ 4,968,498
Charge-offs	-	-	-	-
Charge-off recoveries	-	-	-	-
Provision for/(Recapture of)	64,299	(76,299)	19,978	7,978
Balance, June 30, 2023	<u>\$ 247,733</u>	<u>\$ 2,128,143</u>	<u>\$ 2,600,600</u>	<u>\$ 4,976,476</u>
Ending balance individually evaluated for impairment at June 30, 2023	<u>\$ -</u>	<u>\$ 1,416,331</u>	<u>\$ 1,292,750</u>	<u>\$ 2,709,081</u>
Ending balance collectively evaluated for impairment at June 30, 2023	<u>\$ 247,733</u>	<u>\$ 711,812</u>	<u>\$ 1,307,850</u>	<u>\$ 2,267,395</u>
<u>Loans:</u>				
Balance, June 30, 2023	\$ 16,515,540	\$ 54,561,898	\$ 103,728,907	\$ 174,806,345
Allowance for loan losses	<u>(247,733)</u>	<u>(2,128,143)</u>	<u>(2,600,600)</u>	<u>(4,976,476)</u>
Recorded investment, net allowance June 30, 2023	<u>\$ 16,267,807</u>	<u>\$ 52,433,755</u>	<u>\$ 101,128,307</u>	<u>\$ 169,829,869</u>
Ending balance individually evaluated for impairment at June 30, 2023	<u>\$ -</u>	<u>\$ 5,301,331</u>	<u>\$ 26,972,323</u>	<u>\$ 32,273,654</u>
Ending balance collectively evaluated for impairment at June 30, 2023	<u>\$ 16,515,540</u>	<u>\$ 49,260,567</u>	<u>\$ 76,756,584</u>	<u>\$ 142,532,691</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

	Construction Loans	Self- Supporting Loans	Loans to Mission Congregations	Total
<u>Allowance for loan losses:</u>				
Balance, July 1, 2021	\$ 444,766	\$ 3,034,532	\$ 2,318,872	\$ 5,798,170
Charge-offs	-	-	-	-
Charge-off recoveries	-	-	173,195	173,195
Provision for/(Recapture of)	(261,332)	(830,090)	88,555	(1,002,867)
Balance, June 30, 2022	<u>\$ 183,434</u>	<u>\$ 2,204,442</u>	<u>\$ 2,580,622</u>	<u>\$ 4,968,498</u>
Ending balance individually evaluated for impairment at June 30, 2022	<u>\$ -</u>	<u>\$ 1,423,711</u>	<u>\$ 1,285,979</u>	<u>\$ 2,709,690</u>
Ending balance collectively evaluated for impairment at June 30, 2022	<u>\$ 183,434</u>	<u>\$ 780,731</u>	<u>\$ 1,294,643</u>	<u>\$ 2,258,808</u>
<u>Loans:</u>				
Balance, June 30, 2022	\$ 12,228,925	\$ 60,515,745	\$ 107,281,865	\$ 180,026,535
Allowance for loan losses	(183,434)	(2,204,442)	(2,580,622)	(4,968,498)
Recorded investment, net allowance June 30, 2022	<u>\$ 12,045,491</u>	<u>\$ 58,311,303</u>	<u>\$ 104,701,243</u>	<u>\$ 175,058,037</u>
Ending balance individually evaluated for impairment at June 30, 2022	<u>\$ -</u>	<u>\$ 7,888,896</u>	<u>\$ 29,075,342</u>	<u>\$ 36,964,238</u>
Ending balance collectively evaluated for impairment at June 30, 2022	<u>\$ 12,228,925</u>	<u>\$ 52,626,849</u>	<u>\$ 78,206,523</u>	<u>\$ 143,062,297</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

	Construction Loans	Self- Supporting Loans	Loans to Mission Congregations	Total
<u>Allowance for loan losses:</u>				
Balance, July 1, 2020	\$ 427,128	\$ 2,982,564	\$ 2,131,460	\$ 5,541,152
Charge-offs	-	-	(327,832)	(327,832)
Charge-off recoveries	-	-	8,229	8,229
Provision for	17,638	51,968	507,015	576,621
Balance, June 30, 2021	<u>\$ 444,766</u>	<u>\$ 3,034,532</u>	<u>\$ 2,318,872</u>	<u>\$ 5,798,170</u>
Ending balance individually evaluated for impairment at June 30, 2021	<u>\$ -</u>	<u>\$ 2,345,216</u>	<u>\$ 1,187,357</u>	<u>\$ 3,532,573</u>
Ending balance collectively evaluated for impairment at June 30, 2021	<u>\$ 444,766</u>	<u>\$ 689,316</u>	<u>\$ 1,131,515</u>	<u>\$ 2,265,597</u>
<u>Loans:</u>				
Balance, June 30, 2021	\$ 31,211,618	\$ 57,096,755	\$ 95,481,196	\$ 183,789,569
Allowance for loan losses	<u>(444,766)</u>	<u>(3,034,532)</u>	<u>(2,318,872)</u>	<u>(5,798,170)</u>
Recorded investment, net allowance June 30, 2021	<u>\$ 30,766,852</u>	<u>\$ 54,062,223</u>	<u>\$ 93,162,324</u>	<u>\$ 177,991,399</u>
Ending balance individually evaluated for impairment at June 30, 2021	<u>\$ -</u>	<u>\$ 7,939,159</u>	<u>\$ 25,817,292</u>	<u>\$ 33,756,451</u>
Ending balance collectively evaluated for impairment at June 30, 2021	<u>\$ 31,211,618</u>	<u>\$ 49,157,596</u>	<u>\$ 69,663,904</u>	<u>\$ 150,033,118</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

A summary of past due loans at June 30, 2023, 2022 and 2021 is as follows:

	Current	Current (Nonaccrual)	30-59 Days Past Due (Accruing)	60-89 Days Past Due (Accruing)	90 Days and Over (Nonaccrual)	Total
June 30, 2023						
Construction loans	\$ 16,515,540	\$ -	\$ -	\$ -	\$ -	\$ 16,515,540
Self-supporting loans	49,260,567	5,301,331	-	-	-	54,561,898
Loans to mission congregations	<u>76,756,584</u>	<u>26,972,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,728,907</u>
Total	<u>\$ 142,532,691</u>	<u>\$ 32,273,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,806,345</u>
June 30, 2022						
Construction loans	\$ 12,228,925	\$ -	\$ -	\$ -	\$ -	\$ 12,228,925
Self-supporting loans	52,626,849	7,224,339	-	-	664,557	60,515,745
Loans to mission congregations	<u>78,206,523</u>	<u>29,075,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,281,865</u>
Total	<u>\$ 143,062,297</u>	<u>\$ 36,299,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 664,557</u>	<u>\$ 180,026,535</u>
June 30, 2021						
Construction loans	\$ 31,211,618	\$ -	\$ -	\$ -	\$ -	\$ 31,211,618
Self-supporting loans	49,157,596	7,939,159	-	-	-	57,096,755
Loans to mission congregations	<u>69,663,904</u>	<u>25,817,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,481,196</u>
Total	<u>\$ 150,033,118</u>	<u>\$ 33,756,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,789,569</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

WELS CEF monitors credit quality based on payment activity. Payments on WELS CEF loans are generally due on the first day of the month. At June 30, 2023, WELS CEF had no loans that were past due in excess of 90 days.

WELS CEF is organized and utilized primarily to make low interest rate loans to mission congregations to assist them in acquiring land, buildings, and other facilities to extend WELS and its mission. WELS CEF loans, by their very nature, are to congregations without lengthy payment histories and they have little, if any, reserves for loan payments should monthly offerings and/or WELS Home Missions grants and subsidy not be adequate for the monthly payments. Loans to mission congregations generally require a 10% down payment and are secured by a first mortgage on the property. The terms and availability of loans to be made by WELS CEF to mission congregations have been established and are revised periodically by the Board of Directors of WELS CEF.

The amount of each loan is determined by the mission congregations' ministry plans and projected ability to repay. The interest rate charged on loans ranges from 1.065% to 5.10%, and may adjust at each note maturity renewal. The average interest rate earned on existing loans was 4.38%, 4.38%, and 4.33% for 2023, 2022 and 2021, respectively.

The collectability of loans is dependent upon the success of the borrower or the value of the property collateralizing them. The method of estimating potential loan losses is based on a stratification and sub-categorization of all loans with specific attention to impaired loans. Management believes that the allowance for loan losses is adequate. While management uses available information to estimate probable losses, future changes to the allowances may be necessary based on changes in economic conditions.

The following is a summary of information pertaining to impaired loans:

	As of June 30,		
	2023	2022	2021
Impaired loans without a valuation allowance	\$ 17,105,749	\$ 20,496,098	\$ 22,396,228
Impaired loans with a valuation allowance	<u>15,167,905</u>	<u>16,468,140</u>	<u>11,360,223</u>
Total Impaired loans	<u>\$ 32,273,654</u>	<u>\$ 36,964,238</u>	<u>\$ 33,756,451</u>
Valuation allowance related to impaired loans	<u>\$ 2,709,081</u>	<u>\$ 2,709,690</u>	<u>\$ 3,532,573</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

The following is a summary of impaired loans and allocated allowance as of June 30, 2023:

	Construction Loans	Self- Supporting Loans	Loans to Mission Congregations	Total
With an allowance recorded:				
Recorded investment, net of allowance	\$ -	\$ 3,885,000	\$ 8,573,824	\$ 12,458,824
Unpaid principal balance	-	5,301,331	9,866,574	15,167,905
Related allowance	-	1,416,331	1,292,750	2,709,081
With no related allowance recorded:				
Recorded investment	\$ -	\$ -	\$ 17,105,749	\$ 17,105,749
Unpaid principal balance	-	-	17,105,749	17,105,749
Related allowance	-	-	-	-
Total:				
Recorded investment, net of allowance	\$ -	\$ 3,885,000	\$ 25,679,573	\$ 29,564,573
Unpaid principal balance	-	5,301,331	26,972,323	32,273,654
Related allowance	-	1,416,331	1,292,750	2,709,081
Average recorded investment during the fiscal year	\$ -	\$ 5,454,887	\$ 28,205,585	\$ 33,660,472
Interest income recognized while impaired	\$ -	\$ 182,273	\$ 1,035,709	\$ 1,217,982

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

The following is a summary of impaired loans and allocated allowance as of June 30, 2022:

	Construction Loans	Self- Supporting Loans	Loans to Mission Congregations	Total
With an allowance recorded:				
Recorded investment, net of allowance	\$ -	\$ 3,885,000	\$ 9,873,450	\$ 13,758,450
Unpaid principal balance	-	5,308,711	11,159,429	16,468,140
Related allowance	-	1,423,711	1,285,979	2,709,690
With no related allowance recorded:				
Recorded investment	\$ -	\$ 2,580,185	\$ 17,915,913	\$ 20,496,098
Unpaid principal balance	-	2,580,185	17,915,913	20,496,098
Related allowance	-	-	-	-
Total:				
Recorded investment, net of allowance	\$ -	\$ 6,465,185	\$ 27,789,363	\$ 34,254,548
Unpaid principal balance	-	7,888,896	29,075,342	36,964,238
Related allowance	-	1,423,711	1,285,979	2,709,690
Average recorded investment during the fiscal year	\$ -	\$ 7,909,676	\$ 25,142,134	\$ 33,051,810
Interest income recognized while impaired	\$ -	\$ 232,674	\$ 916,438	\$ 1,149,112

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

The following is a summary of impaired loans and allocated allowance as of June 30, 2021:

	Construction Loans	Self- Supporting Loans	Loans to Mission Congregations	Total
With an allowance recorded:				
Recorded investment, net of allowance	\$ -	\$ 2,975,000	\$ 4,852,650	\$ 7,827,650
Unpaid principal balance	-	5,320,217	6,040,006	11,360,223
Related allowance	-	2,345,217	1,187,356	3,532,573
With no related allowance recorded:				
Recorded investment	\$ -	\$ 2,618,942	\$ 19,777,286	\$ 22,396,228
Unpaid principal balance	-	2,618,942	19,777,286	22,396,228
Related allowance	-	-	-	-
Total:				
Recorded investment, net of allowance	\$ -	\$ 5,593,942	\$ 24,629,936	\$ 30,223,878
Unpaid principal balance	-	7,939,159	25,817,292	33,756,451
Related allowance	-	2,345,217	1,187,356	3,532,573
Average recorded investment during the fiscal year	\$ 114,265	\$ 8,009,827	\$ 25,719,236	\$ 33,843,328
Interest income recognized while impaired	\$ 8,827	\$ 223,602	\$ 925,872	\$ 1,158,301

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

Management regularly monitors impaired loan relationships. In the event facts and circumstances change, an additional reserve may be necessary.

Nonperforming loans are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Nonaccrual loans	\$ -	\$ -	\$ 1,537,561
Loans restructured and/or modified on nonaccrual	<u>32,273,654</u>	<u>36,964,238</u>	<u>32,218,890</u>
Total nonperforming loans	<u>\$ 32,273,654</u>	<u>\$ 36,964,238</u>	<u>\$ 33,756,451</u>
Restructured loans, accruing	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Average investment in impaired loans	\$ 33,660,472	\$ 33,051,810	\$ 33,843,328
Interest income recognized on a cash basis on impaired loans	1,217,982	1,149,112	1,158,301
Total interest income recognized on impaired loans	1,221,524	1,149,112	1,263,025

Loans not accruing interest had an outstanding balance of \$32,273,654, \$36,964,238 and \$33,756,451 at June 30, 2023, 2022 and 2021, respectively. There were no loans 90 days past due and still accruing interest as of June 30, 2023, 2022 and 2021, respectively.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

At June 30, 2023, there were \$32,273,654 in TDR loans that were classified as nonaccrual, which included one new loan totaling \$323,864. That new loan was an extension only restructuring. At June 30, 2022, there were \$36,964,238 in TDR loans that were classified as nonaccrual, which included one new loan totaling \$5,625,000. That new loan was an extension and rate change restructuring. At June 30, 2021, there were \$32,218,890 in TDR loans that were classified as nonaccrual, which included one new loan totaling \$1,803,377. That new loan was an extension and rate change restructuring. As of June 30, 2023 there were no unfunded loan commitments and no loans with undisbursed grant commitments on these TDR loans. There are no TDRs which have defaulted within 12 months of their original modification.

WELS CEF has allocated \$2,709,081, \$2,709,690 and \$3,532,573 of specific reserves at June 30, 2023, 2022 and 2021, respectively to loans whose loan terms have been modified in TDR. There are no TDR's that are past due under the modified terms as of June 30, 2023.

TDR loans consisted of the following types of restructuring:

Types of restructuring	As of June 30,					
	2023		2022		2021	
	# of loans	Amount	# of loans	Amount	# of loans	Amount
Extension and rate change	8	\$ 19,460,527	13	\$ 24,131,081	13	\$ 19,093,500
Extension only	2	12,813,127	1	12,833,157	1	13,125,390
Total TDRs	10	\$ 32,273,654	14	\$ 36,964,238	14	\$ 32,218,890

Included in loans receivable are unsecured loans under a \$1.0 million credit facility to WELS administered by the WELS Board for World Missions. At June 30, 2023, 2022 and 2021, there were no unsecured loans.

Commitments to mission and mission-minded self-supporting congregations will result in additional amounts being advanced to congregations. Grant commitments on loans in construction are reflected as liabilities in the Statements of Financial Position. Grant and loan commitments on approved loans and loan commitments on loans in construction are not reflected in the Statements of Financial Position.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 6 - LOANS AND GRANTS TO CONGREGATIONS AND OTHERS (continued)

The following table reflects the aggregate loan and grant commitments:

	As of June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Loan commitments not yet advanced - in construction	\$ 31,877,401	\$ 9,496,075	\$ 6,242,030
Loan commitments not yet advanced - approved	26,292,102	10,355,000	5,166,000
Grant commitments not yet advanced - in construction	573,059	1,199,866	2,049,701
Grant commitments not yet advanced - approved	<u>2,143,282</u>	<u>8,000</u>	<u>130,286</u>
Total funds approved but not yet advanced	<u>\$ 60,885,844</u>	<u>\$ 21,058,941</u>	<u>\$ 13,588,017</u>

The following table reflects loan maturities due on all loans during the periods indicated based on June 30, 2023 data:

<u>Fiscal Years Ending June 30,</u>	<u>Principal Maturing</u>
2024	\$ 40,797,363
2025	39,153,810
2026	21,141,568
2027	40,677,667
2028	32,882,597
Thereafter	<u>153,340</u>
Total	<u>\$ 174,806,345</u>

WELS CEF has historically renewed a substantial portion of its loans at maturity and has received substantial principal prepayment and payoffs on a number of loans each year. Accordingly, the amounts shown as maturing above may vary from the principal repayments actually received. Past refinancing and prepayments may not be indicative of future refinancing and prepayments.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 7- CERTIFICATES PAYABLE

All certificates are unsecured debt securities and payable primarily to WELS members, WELS congregations, WELS and affiliated organizations with an annual average interest rate of 1.69%, 1.78% and 2.08% during the fiscal years ended June 30, 2023, 2022 and 2021, respectively.

Certificates greater than \$250,000 that mature in future years as of June 30, 2023 totaled \$24,404,936.

Certificate maturities by fiscal year are as follows:

Demand	\$ 6,673,302
2024	45,216,850
2025	12,878,616
2026	12,047,465
2027	11,860,649
2028	<u>4,908,687</u>
Total	<u>\$ 93,585,569</u>

NOTE 8 - NET ASSETS

Net assets without donor restrictions have been designated by the Board of Directors in a manner that prudently and sufficiently reflects the WELS CEF's planning for operations, investor withdrawals, loan opportunities, grants, regulatory compliance and contingencies.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operations and contingencies	\$ 91,231,063	\$ 85,076,888	\$ 81,170,274

Net assets with donor purpose restrictions at June 30 are available for the following purposes:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operations and contingencies	\$ 6,617,949	\$ 4,319,371	\$ 11,201,087

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 8 - NET ASSETS (continued)

Net assets with perpetual donor restriction at June 30 support the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Grants to Home Missions	<u>\$ 25,082,887</u>	<u>\$ 25,082,887</u>	<u>\$ 25,082,887</u>
Total permanently restricted net assets	<u>\$ 25,082,887</u>	<u>\$ 25,082,887</u>	<u>\$ 25,082,887</u>

NOTE 9 - ENDOWMENTS

(a) Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was enacted in the State of Wisconsin in 2009, does not preclude WELS CEF from spending below the original gift value of donor-restricted endowment funds.

For accounting and reporting purposes, WELS CEF classifies as net assets with donor restrictions the historic value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) changes to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor restricted endowment fund may fall below the historic gift value that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023, 2022 and 2021, there were no endowment funds with deficiencies.

(c) Endowment Payout

Endowment funds are invested in the WIF Endowment Fund which includes equity and fixed income mutual funds with a long term holding period and does not include receivables relating to charitable remainder trusts, life insurance policies, charitable gift annuities, or estates. The long- term investment (equity and fixed income mutual fund components) objective for each endowment fund is to be met through an investment with WIF. Endowment funds are monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 9 - ENDOWMENTS (continued)

(c) Endowment Payout (continued)

The primary long term financial objective for WELS CEF's endowments is to preserve the endowment assets and income after accounting for endowment spending, costs of administration, and portfolio management. The endowment funds are managed to optimize the long term total rate of return on invested assets, assuming a prudent level of investment risk. Under this policy, WELS CEF expects its endowment funds, over time, to achieve an average net annual rate of return of approximately 5.0% to 8.0%. The goal for this rate of return is one that provides funding for WELS CEF's spending policy, which was 4.0% of a 16-quarter rolling average of the fair value of endowment lagged by one year in 2023, 2022 and 2021.

The distribution payout for endowment funds subject to UPMIFA may reduce an endowment fund fair value below the historical gift value of the fund if the Board of Directors determines it is prudent to do so. Such a policy allows for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term.

Endowment fund net asset composition by type of fund consists of the following as of June 30:

	2023		
	With Donor Restrictions		
	Purpose Restrictions	Perpetual in Nature	Total
Donor-restricted endowment funds	\$ 6,089,599	\$ 25,082,887	\$ 31,172,486

	2022		
	With Donor Restrictions		
	Purpose Restrictions	Perpetual in Nature	Total
Donor-restricted endowment funds	\$ 3,836,690	\$ 25,082,887	\$ 28,919,577

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 9 - ENDOWMENTS (continued)

	2021		
	With Donor Restrictions		
	Purpose Restrictions	Perpetual in Nature	Total
Donor-restricted endowment funds	<u>\$ 10,654,331</u>	<u>\$ 25,082,887</u>	<u>\$ 35,737,218</u>

Changes in endowment fund net assets for the year ended June 30, 2023 are as follows:

	With Donor Restrictions		
	Purpose Restrictions	Perpetual in Nature	Total
Endowment fund net assets June 30, 2022	\$ 3,836,690	\$ 25,082,887	\$ 28,919,577
Investment return:			
Investment income, net	626,676	-	626,676
Net gain - realized and unrealized	2,811,886	-	2,811,886
Total investment return	3,438,562	-	3,438,562
Appropriation of endowment fund assets for expenditure	<u>(1,185,653)</u>	<u>-</u>	<u>(1,185,653)</u>
Endowment fund net assets June 30, 2023	<u>\$ 6,089,599</u>	<u>\$ 25,082,887</u>	<u>\$ 31,172,486</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 9 - ENDOWMENTS (continued)

Changes in endowment fund net assets for the year ended June 30, 2022 are as follows:

	With Donor Restrictions		Total
	Purpose Restrictions	Perpetual in Nature	
Endowment fund net assets June 30, 2021	\$ 10,654,331	\$ 25,082,887	\$ 35,737,218
Investment return:			
Investment income, net	613,032	-	613,032
Net loss - realized and unrealized	<u>(6,301,815)</u>	<u>-</u>	<u>(6,301,815)</u>
Total investment return	<u>(5,688,783)</u>	<u>-</u>	<u>(5,688,783)</u>
Appropriation of endowment fund assets for expenditure	<u>(1,128,858)</u>	<u>-</u>	<u>(1,128,858)</u>
Endowment fund net assets June 30, 2022	<u>\$ 3,836,690</u>	<u>\$ 25,082,887</u>	<u>\$ 28,919,577</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 9 - ENDOWMENTS (continued)

Changes in endowment fund net assets for the year ended June 30, 2021 are as follows:

	With Donor Restrictions		Total
	Purpose Restrictions	Perpetual in Nature	
Endowment fund net assets June 30, 2020	\$ 2,993,368	\$ 25,082,887	\$ 28,076,255
Investment return:			
Investment income, net	480,158	-	480,158
Net gain - realized and unrealized	8,244,729	-	8,244,729
Total investment return	8,724,887	-	8,724,887
Appropriation of endowment fund assets for expenditure	(1,063,924)	-	(1,063,924)
Endowment fund net assets June 30, 2021	\$ 10,654,331	\$ 25,082,887	\$ 35,737,218

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 10 - CONCENTRATION OF LOANS

WELS CEF has one borrower that is greater than 5% of the total loan portfolio, making up 7.14% of the total loan portfolio as of June 30, 2023.

The table below sets forth the geographic concentrations of WELS CEF loans as of June 30, 2023.

<u>Mission Districts</u>	
South Atlantic	23.29%
Arizona-California	14.44%
Southeastern Wisconsin	11.47%
Minnesota	9.45%
Colorado	8.02%
South Central	7.82%
North Atlantic	7.69%
Western Wisconsin	6.21%
Pacific Northwest	5.57%
Michigan	2.00%
Dakota-Montana	1.54%
Northern Wisconsin	1.12%
Canadian	0.71%
Nebraska	0.67%

NOTE 11 - RELATED PARTY TRANSACTIONS

At June 30, 2023, 2022 and 2021, WELS CEF's investment in the funds of WIF had fair values of \$31,172,486, \$28,919,577 and \$35,737,218 respectively. Returns from these investments were as follows:

	<u>Years Ended June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Dividends	\$ 626,676	\$ 613,032	\$ 480,158
Realized and unrealized gains/(losses)	<u>2,811,886</u>	<u>(6,301,815)</u>	<u>8,244,729</u>
Total returns	<u>\$ 3,438,562</u>	<u>\$ (5,688,783)</u>	<u>\$ 8,724,887</u>

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

Payroll and operating expenses paid by WELS and reimbursed by WELS CEF were as follows:

	Years Ended June 30,		
	2023	2022	2021
Wages and benefits	\$ 470,468	\$ 541,785	\$ 518,947
Professional services, insurance and marketing	421,759	451,538	355,232
Travel, meetings and supplies	93,546	90,782	67,250
Total	\$ 985,773	\$ 1,084,105	\$ 941,429

WELS CEF granted \$2,101,438, \$1,628,858 and \$1,663,924 to WELS Home Missions for land, facilities and /or operations in 2023, 2022 and 2021, respectively.

Interest in net assets of WELS Foundation, a subsidiary of WELS, include deferred giving instruments and other assets of \$528,362, \$482,693 and \$546,768 at June 30, 2023, 2022 and 2021, respectively.

Certificates owned by other WELS subsidiaries, officers, directors and advisors were purchased on terms generally available to other investors. The certificates are presented at their cost basis and exclude accrued interest of \$27,805, \$25,813 and \$21,308 at June 30, 2023, 2022 and 2021, respectively.

	June 30,		
	2023	2022	2021
Northwestern Publishing House	\$ 2,743,110	\$ 2,193,536	\$ 1,052,239
WELS Foundation	1,816,119	2,188,400	2,538,357
Wisconsin Lutheran Seminary	4,811,216	3,980,161	3,064,873
Martin Luther College	4,683,838	6,657,994	5,102,255
Michigan Lutheran Seminary	506,995	506,995	12,995
WELS	-	-	4,026,875
WELS Historical Institute	2,374	2,371	2,367
CEF directors, officers and advisors	-	188,448	1,023,016
Total Certificates	\$ 14,563,652	\$ 15,717,905	\$ 16,822,977

WELS CHURCH EXTENSION FUND, INC.
Notes to Financial Statements
As of and for the Years Ended June 30, 2023, 2022, and 2021

NOTE 12 - SUBSEQUENT EVENTS

WELS CEF has evaluated subsequent events through September 12, 2023; the date that the financial statements were available to be issued. The evaluation identified no subsequent events requiring adjustment or disclosure.



Beneficiary Designation Form

Section I: Certificate Information

Primary Owner

Joint Owner (if any)

This Form will apply to any Certificates you identify below. Please see the instructions on the other side of this Form.

_____ # _____ # _____

Section II: Beneficiaries

1. Primary Beneficiary

a. Name		d. Address	
b. Percentage of Certificate proceeds	%	c. Social Security No. or EIN	e. City, State and Zip
f. Date of Birth		g. Relationship	

2. Primary Contingent Per stirpes

a. Name		d. Address	
b. Percentage of Certificate proceeds	%	c. Social Security No. or EIN	e. City, State and Zip
f. Date of Birth		g. Relationship	

3. Primary Contingent Per stirpes

a. Name		d. Address	
b. Percentage of Certificate proceeds	%	c. Social Security No. or EIN	e. City, State and Zip
f. Date of Birth		g. Relationship	

4. Primary Contingent Per stirpes

a. Name		d. Address	
b. Percentage of Certificate proceeds	%	c. Social Security No. or EIN	e. City, State and Zip
f. Date of Birth		g. Relationship	

5. Primary Contingent Per stirpes

a. Name		d. Address	
b. Percentage of Certificate proceeds	%	c. Social Security No. or EIN	e. City, State and Zip
f. Date of Birth		g. Relationship	

Section III: Authorization and Signature

By signing below, you authorize WELS CEF to pay the outstanding principal and accrued interest on the Certificates identified in Section I to the beneficiaries identified in Section II at your death. If you have designated a 501(c)(3) tax-exempt organization as a beneficiary, you acknowledge that this designation is advisory only and that WELS CEF may refuse to honor your request. If at your death a tax-exempt organization that you identified in Section II no longer functions as a qualified 501(c)(3) organization with a mission purpose consistent with your intended donation, you authorize WELS CEF to designate another tax-exempt organization to receive your donation. You may change or revoke any beneficiary designation in Section II at any time. But a beneficiary designation and this Beneficiary Designation Form shall be binding on your heirs, beneficiaries and legal representatives. **In addition, you represent either (i) that you are unmarried, or (ii) that your spouse has signed either this Form as an Owner, or the Spousal Consent below.**

Primary Owner's Signature
Rev 2009

Date

Joint Owner's Signature (if any)

Date

Spousal Consent

I am the spouse of the Primary Owner or Joint Owner identified in Section I of this Form. I give to my spouse any interest I have in the Certificates identified in Section I of this Form. I agree to my spouse naming a beneficiary other than myself. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. I shall have no claim against WELS CEF or any beneficiary designated under this Form for any payment made to the beneficiary.

Signature of spouse of Primary Owner

Date

Signature of spouse of Joint Owner (if any)

Date

Instructions

This Beneficiary Designation Form authorizes WELS CEF to pay the principal and accrued interest on one or more Certificates to 501(c)(3) tax-exempt organizations or individual beneficiaries when you die. This form is designed to be used for beneficiary designations with regard to existing Certificates as well as for new Certificates in conjunction with an Investment Application if you wish to designate more than one beneficiary under "Section III: Payment on Death" of the Investment Application.

Special Instructions for New Certificates

If you are completing this Form in conjunction with an Investment Application to designate more than one beneficiary for the Certificate you are purchasing, please follow the instructions below:

- In Section I of this Form, identify the Certificate that your beneficiary designation will apply to by writing "APPLICATION" in the first Certificate identification line.
- In Section III of the **Investment Application**, check the box next to "Designated Beneficiary" and write "See attached Beneficiary Designation Form" on the line provided for the name of the tax-exempt organization or individual beneficiary.
- **Attach this Form to the completed Investment Application.**

Instructions for Completing Section II of this Form

You must identify at least one primary beneficiary to receive the principal and interest on your Certificate at your death. In addition, you may designate one or more contingent beneficiaries to receive the principal and accrued interest on your Certificate, in the event that the EACH primary beneficiary either predeceases you or no longer functions as a 501(c)(3) organization with a mission purpose consistent with your intended donation.

So long as at least one primary designated beneficiary is either alive or functioning as a 501(c)(3) organization consistent with your intended donation, the contingent beneficiaries will not receive any of the proceeds from your Certificates at your death. Instead, the proceeds will be divided among the remaining primary beneficiaries on a pro rata basis according to their respective percentages set forth in this Form.

Instructions Regarding Multiple Primary, Contingent or Per Stirpes Beneficiaries

- For each beneficiary after the beneficiary identified in table #1 under Section I, you must check a box indicating whether the beneficiary is a primary beneficiary, contingent beneficiary or per stirpes beneficiary.
- In box "b" for each beneficiary, identify the percentage of the proceeds of your Certificate that you want that beneficiary to receive. For example, if you identify three primary beneficiaries, you may want the first to receive 50% of the interest and principal of your Certificate, while each of the other primary beneficiaries will receive 25% of the proceeds at your death.
- For each type of beneficiary, the total Percentages of Certificate Proceeds you identify must add up to 100%. For example if you have identified three primary beneficiaries and two contingent beneficiaries, the total percentages of the primary beneficiaries should add up to 100%. The total percentages of the contingent beneficiaries should also add up to 100%.
- Per stirpes specifies that each "branch" of the deceased person's family receives an equal share of the certificate – regardless of how many people are in that branch. For example, A and B are children of the deceased certificate owner and are listed as primary beneficiaries per stirpes. If B is also deceased – leaving children C and D (the grandchildren of the original owner) – then A would receive a full half share of the certificate and each of B's two children would receive one quarter of the certificate. Essentially they are dividing B's half share equally.



Individual/Trust Investment Application

Section I: Applicant and Ownership Information/Complete Information Required

Primary Applicant's full name (or Trustee(s) full name(s) if Applicant is a trust)

Mailing address

Social Security No. or EIN
(Note: See below in the case of trusts)

()
Daytime Phone

City, State, Zip

Date of Birth

()
Work Phone

E-mail Address YES, please email me updates from WELS CEF.

Church Membership: _____

Ev. Lutheran Church _____

Address, City _____ State _____

Individual investors may select only one of the following additional ownership options, if applicable. If you do not select any of these options, we will issue the Certificate solely to the primary applicant.

Joint Ownership. If you check this box, we will issue the Certificate to the Primary Applicant and Joint Applicant as joint tenants with the right of survivorship. Under this arrangement, the consent of either owner alone will be sufficient to redeem the Certificate, transfer it or take any other action requiring the consent of the Certificate holder.

Joint Applicant's full name

Social Security No.

Date of Birth

Relationship

Living Trust. If you check this box, the Certificate will be issued to the Primary Applicant* as trustee(s) of the following trust:

Name of Trust (including date)

Trust EIN (only if not a Grantor Trust utilizing the Grantor's SSN) OR Grantor's Name (if trust utilizing Grantor's SSN; also provide Grantor's SSN in first part above)

* **If the trust has more than one trustee,** identify all of them on the Primary Applicant line, and select one of the following:

- Fewer than all trustees MAY exercise trust powers.
 Fewer than all trustees MAY NOT exercise trust powers.

UTMA Program. If you check this box, the Certificate will be issued to the Primary Applicant as custodian for the minor identified below ("Minor") under the Wisconsin Uniform Transfers to Minors Act (UTMA). **This election will be irrevocable and, as custodian, you are required to request a transfer of the Certificate into the sole name of the Minor when the Minor turns 21.** We recommend that you contact an attorney for more information about the Wisconsin UTMA.

Minor's full name

Social Security No.

Date of Birth

Section II: Type of Certificate / Interest Options

Please use Certificate # _____ for a term change.

Enclosed is a check in the amount of \$ _____ (CK# _____) for investment in the following Certificate:

Investment Certificate (\$500 minimum investment)

Savings Certificate (Select one, \$100 minimum investment)

- 6 mos. 12 mos. 18 mos.
 24 mos. 36 mos. 48 mos. 60 mos.

- Statement (monthly interest added) 1 Year

How you would like interest paid on your Investment Certificate and 1 Year Savings Certificate? (choose only one of the following options)

- Directly to you in the form of a check Added to the Certificate Added to Statement Savings Certificate # _____
 EFT directly to your bank (If you choose this option, please send us an EFT authorization form and a voided check)
 Zero Interest Rate - If you would like to provide additional support to the cause of WELS CEF, you may elect to receive **no interest** on your Investment Certificate or Savings Certificate by checking this box.

SIGNATURES

WELS CEF will not process your Investment Application until you have completed Sections I and II and signed below. If you are signing on behalf of an organization, corporate entity or institution, print your name and title on the provided line. This Investment Application includes the terms printed on the back side of this form.

Primary Applicant's Signature (or Trustee, if Applicant is a trust) _____ Date _____

Joint Applicant or Additional Trustee's Signature (if necessary) _____ Date _____

Additional Trustee's Signature (if necessary) _____ Date _____

Additional Trustee's Signature (if necessary) _____ Date _____

Please tell us how you heard about the WELS Church Extension Fund: _____

Section III: Payment on Death / Successor Custodian

Primary Beneficiary. By checking this box, you authorize WELS CEF to pay the principal and accrued interest on your Certificate to the indicated 501(c)(3) tax-exempt organization or individual beneficiary at your death. Organizations may not select this option.

If you desire to designate more than one beneficiary, or to designate contingent beneficiaries in the event that the primary beneficiary predeceases you or no longer functions as a 501(c)(3) organization with a purpose consistent with your intended donation, please complete and forward to us the separate Beneficiary Designation Form included as an exhibit to the Offering Circular.

You may also name a successor custodian to replace the custodian upon death of the named custodian.

Name of tax-exempt organization or individual beneficiary or custodian

Address

City, State and Zip

Social Security No. or EIN

_____/_____/_____
Date of Birth

Relationship

Section IV: Representations and Agreement

BY SIGNING THIS INVESTMENT APPLICATION, YOU REPRESENT AND AGREE TO THE FOLLOWING:

1. **Purchase of Certificate Applied for.** You agree to purchase the Certificate indicated in this Investment Application. If you checked the box under "Zero Interest Rate" in Section II, you further agree that your Certificate will not earn any interest.

2. **Terms of Certificate.** You have received and been encouraged to read the WELS CEF Offering Circular dated October 15, 2023 and the WELS CEF financial statements included in it. You have also had the opportunity to ask questions and receive answers about the WELS CEF Offering Circular and financial statements, the risks of investing in a Certificate, and the terms of the Certificate you are applying for. By signing this Investment Application, you agree to those terms.

3. **Affiliation with the Wisconsin Evangelical Lutheran Synod.** Before receiving the Offering Circular, you (or the Minor named with respect to our UTMA Program described on page 1 hereof) are a member of the church identified in Section I or another congregation or other religious organization affiliated with the Wisconsin Evangelical Lutheran Synod. If you are an organization, corporate entity or institution, you are affiliated with the Wisconsin Evangelical Lutheran Synod.

4. **Liability of Joint Applicants.** If a Certificate is being purchased for joint ownership, both the Primary Applicant and the Joint Applicant must sign this Investment Application. In that case, "you" shall refer to both applicants. The Primary Applicant and Joint Applicant shall be jointly and severally liable under this Investment Application. WELS CEF is authorized to act upon the instructions and directions of either applicant in all matters, including redemption requests.

5. **Certification of Trust.** If a Certificate is being purchased for ownership in trust, each trustee identified as a Primary Applicant must sign this form. In that case, in this paragraph, "you" shall refer to all trustees. By signing this form, you certify that the trust powers may be exercised as indicated in Section I, and that the trust identified in Section I has not been revoked, modified, or amended in any manner that would cause this certification of trust to be incorrect. If you indicated that trust powers may be exercised by fewer than all trustees, WELS CEF is authorized to act upon the instructions and directions of ANY trustee identified as a Primary Applicant in all matters, including redemption requests.

6. **Beneficiaries.** If you have completed Section III, you authorize WELS CEF to pay the outstanding principal and accrued interest on your Certificate to the indicated beneficiary at your death. With regard

to a donation, you acknowledge that it is advisory only and that WELS CEF may refuse to honor your request. If at your death the tax-exempt organization you identified in Section III no longer functions as a qualified 501(c)(3) organization with a mission purpose consistent with your intended donation, you authorize WELS CEF to designate another tax-exempt organization to receive your donation. You may change or revoke any beneficiary designation in Section III at any time. But a beneficiary designation and this Investment Application shall be binding on your heirs, beneficiaries and legal representatives. **In addition, you represent either (i) that you are unmarried, or (ii) that your spouse has signed either this Investment Application as an Applicant, or the following Spousal Consent:**

I am the spouse of the Primary Applicant or Joint Applicant identified in Section I of this Investment Application. I give to my spouse any interest I have in the funds to be invested in the Certificate applied for in this Investment Application. I agree to my spouse naming a beneficiary other than myself. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. I shall have no claim against WELS CEF or any beneficiary designated under this Investment Application for any payment made to the beneficiary.

Signature of spouse of Primary Applicant Date

Signature of spouse of Joint Applicant Date

7. **Withholding Certification.** By signing this Investment Application and under penalties of perjury, each Applicant certifies that:

(a) Each Social Security or Federal Employer Identification Number provided in Section I hereof is correct.

(b) You are either exempt from withholding or otherwise not subject to backup withholding. The IRS has not notified you that part of dividend and interest is to be withheld as a result of your failure to report all dividend and interest income. **Please draw an "X" through this paragraph if you ARE subject to backup withholding.**

(c) You are a U.S. Person for federal tax purposes (including a U.S. citizen, a U.S. resident alien), or a domestic trust.

Please mail this Application with a check payable to "WELS Church Extension Fund" for the amount of your investment to WELS Church Extension Fund, N16W23377 Stone Ridge Drive, Waukesha WI 53188-1108.



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

Organization Investment Application

Section I: Applicant and Ownership Information

Name of Organization _____

Mailing address _____

If applicable, specify subtitle _____

City, State, Zip _____

Employer Identification Number _____

() _____

Phone Number

Email Address Yes, please email us updates from WELS CEF.

Church Affiliation: _____ Ev. Lutheran Church of _____, _____
Address / City State

Section II: Type of Certificate / Interest Options

Please use Certificate # _____ for a term change.

Enclosed is a check in the amount of \$ _____ (CK# _____) for investment in the following Certificate

Investment Certificate (\$500 minimum investment)

- 6 mos. 12 mos. 18 mos.
 24 mos. 36 mos. 48 mos. 60 mos.

Savings Certificate (Select one, \$100 minimum investment)

- Statement (monthly interest added) 1 Year

How you would like interest paid on your Investment Certificate and 1 Year Savings Certificate? (choose only one of the following options)

- Directly to you in the form of a check
 Added to the Certificate Added to Statement Savings Certificate # _____
 EFT directly to your bank (If you choose this option, please send us an EFT authorization form and a voided check)
 Zero Interest Rate - If you would like to provide additional support to the cause of WELS CEF, you may elect to receive **no interest** on your Investment Certificate or Savings Certificate by checking this box.

SIGNATURES

WELS CEF will not process your Investment Application until you have completed Sections I and II and signed below. If you are signing on behalf of an organization, corporate entity or institution, print your name and title on the provided line. This Investment Application includes the terms printed on the back side of this form.

Name (please print) Title

Name Title

Street Address

Street Address

City, State, Zip

City, State, Zip

() _____
Home Phone Number Work Phone Number

() _____
Home Phone Number Work Phone Number

Signature Date

Signature Date

Name (please print) Title

Name Title

Street Address

Street Address

City, State, Zip

City, State, Zip

() ()
Home Phone Number Work Phone Number

() ()
Home Phone Number Work Phone Number

Signature Date

Signature Date

Please mail this Application with a check payable to “WELS Church Extension Fund” for the amount of your investment to WELS Church Extension Fund, N16W23377 Stone Ridge Drive, Waukesha WI 53188-1108.

Section III: Representations and Agreement

BY SIGNING THIS INVESTMENT APPLICATION, YOU REPRESENT AND AGREE TO THE FOLLOWING:

1. **Purchase of Certificate Applied for.** You agree to purchase the Certificate indicated in this Investment Application. If you checked the box under “Zero Interest Rate” in Section II, you further agree that your Certificate will not earn any interest.
2. **Terms of Certificate.** You have received and been encouraged to read the WELS CEF Offering Circular dated October 15, 2023 and the WELS CEF financial statements included in it. You have also had the opportunity to ask questions and receive answers about the WELS CEF Offering Circular and financial statements, the risks of investing in a Certificate, and the terms of the Certificate you are applying for. By signing this Investment Application, you agree to those terms.
3. **Affiliation with the Wisconsin Evangelical Lutheran Synod.** Before receiving the Offering Circular, you are a member of the church identified in Section I or another congregation or other religious organization affiliated with the Wisconsin Evangelical Lutheran Synod. If you are an organization, corporate entity or institution, you are affiliated with the Wisconsin Evangelical Lutheran Synod.
4. **Authority of Organization.** If the applicant is an organization, corporate entity or institution, you represent that you have been duly authorized to purchase the Certificate indicated in this Application, and that the person signing this Investment Application has been authorized to sign it on behalf of the organization, corporate entity or institution.
5. **Withholding Certification.** By signing this Investment Application and under penalties of perjury, the Applicant certifies that:
 - (a) The Federal Employer Identification Number listed under your name in Section I of this Investment Application is correct.
 - (b) You are either exempt from withholding or otherwise not subject to backup withholding. The IRS has not notified you that part of your dividend and interest is to be withheld as a result of your failure to report all dividend and interest income. **Please draw an “X” through this paragraph if you ARE subject to backup withholding.**
 - (c) You are a U.S. Person for federal tax purposes (including a partnership, corporation, company, or association created or organized in the U.S. or under U.S. laws).



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

EFT – ELECTRONIC FUNDS TRANSFER **AUTHORIZATION AGREEMENT**

Please complete this form and mail or fax to:
WELS Church Extension Fund, Inc.
N16W23377 Stone Ridge Drive
Waukesha WI 53188-1108
Fax: 262.522.2801

I hereby authorize WELS Church Extension Fund, Inc. to initiate credit entries to the checking or savings account located at the depository institution named below. If necessary, a debit entry may be initiated for correction only.

Please type or print clearly

Bank Depository Name: _____

Bank Depository Address: _____

City: _____ State: _____ ZIP: _____

Depository Phone Number: _____ Contact Name: _____

ABA/TRN#: _____ Account #: _____

Print Name: _____ Joint Name: _____

Signature: _____ Signature: _____

Account Name _____

Savings

Checking

Date: ____/____/____

PLEASE ATTACH A VOIDED CHECK

(A deposit slip will not be accepted)

Certificate No. _____

Loan No. _____



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

ADDRESS CHANGE FORM

To change your address, please complete this form and mail to:

WELS Church Extension Fund, Inc.

N16W23377 Stone Ridge Drive

Waukesha WI 53188-1108

Fax: 262.522.2801

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Home Phone: _____ Date: _____

Email: _____ SSN or Federal EIN: _____

Certificate Holder's Signature _____

Additional Investment/ Partial Redemption

Name _____
(please print)
Address _____
City _____
State _____ Zip _____
Email _____
Phone _____

Certificate Number _____
\$ _____ Additional Investment
\$ _____ Partial Redemption
\$ _____ Stamp Book (Additional Investment)

Make check or Money Order payable to WELS CEF

Additional Instructions

**Mail: WELS Church Extension Fund
N16W23377 Stone Ridge Drive
Waukesha, WI 53188-1108**

Signature _____
Date _____

I have had an opportunity to review the WELS Church Extension Fund, Inc. Offering Circular prior to executing this additional investment or redemption Request.

Additional Investment/ Partial Redemption

Name _____
(please print)
Address _____
City _____
State _____ Zip _____
Email _____
Phone _____

Certificate Number _____
\$ _____ Additional Investment
\$ _____ Partial Redemption
\$ _____ Stamp Book (Additional Investment)

Make check or Money Order payable to WELS CEF

Additional Instructions

**Mail: WELS Church Extension Fund
N16W23377 Stone Ridge Drive
Waukesha, WI 53188-1108**

Signature _____
Date _____

I have had an opportunity to review the WELS Church Extension Fund, Inc. Offering Circular prior to executing this additional investment or redemption Request.

Additional Investment/ Partial Redemption

Name _____
(please print)
Address _____
City _____
State _____ Zip _____
Email _____
Phone _____

Certificate Number _____
\$ _____ Additional Investment
\$ _____ Partial Redemption
\$ _____ Stamp Book (Additional Investment)

Make check or Money Order payable to WELS CEF

Additional Instructions

**Mail: WELS Church Extension Fund
N16W23377 Stone Ridge Drive
Waukesha, WI 53188-1108**

Signature _____
Date _____

I have had an opportunity to review the WELS Church Extension Fund, Inc. Offering Circular prior to executing this additional investment or redemption Request.



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

AUTHORIZED SIGNATURE FORM

This form (the "Form") is provided to WELS Church Extension Fund, Inc. by the WELS congregation or WELS affiliated organization designated below ("Organization"). The undersigned hereby certifies that he or she is the duly authorized Secretary of the Organization and, as such, further certifies to the following:

The Organization's previously submitted Organization Investment Application is true and complete. Each of the following named individuals has authority to execute all documents and to make all decisions on behalf of the Organization in connection with the WELS Church Extension Fund, and the signature written opposite the name and title of each person is such person's genuine signature. The execution by any such person of any investment application, additional investment or partial redemption request or any other document, or the performance by such person of any act in connection with the foregoing matters, shall conclusively establish such person's authority therefor.

_____	_____	_____
(Print Name)	(Title)	(Signature)
_____	_____	_____
(Print Name)	(Title)	(Signature)
_____	_____	_____
(Print Name)	(Title)	(Signature)
_____	_____	_____
(Print Name)	(Title)	(Signature)
_____	_____	_____
(Print Name)	(Title)	(Signature)

IN WITNESS WHEREOF, the Organization designated below has caused this form to be executed on its behalf by the undersigned on and as of ____/____/____.

(Print Name of Organization)

(City and State)

By _____
(Secretary)

WELS Church Extension Fund, Inc.
N16W23377 Stone Ridge Drive
Waukesha WI 53188-1108
866.511.7793 † Fax: 262.522.2801

“So the churches were strengthened in the faith
and grew daily in numbers.”

—Acts 16:5



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

N16W23377 Stone Ridge Drive
Waukesha, WI 53188-1108

1-866-511-7793

cef@wels.net • wels.net/cef

The purchase of Certificates is subject to investment risks, including possible loss of the principal amount invested and all accrued interest. Redemptions are payable exclusively by WELS CEF. Certificates are not protected or insured by the FDIC or SIPC and are not guaranteed by WELS or any other person or entity.