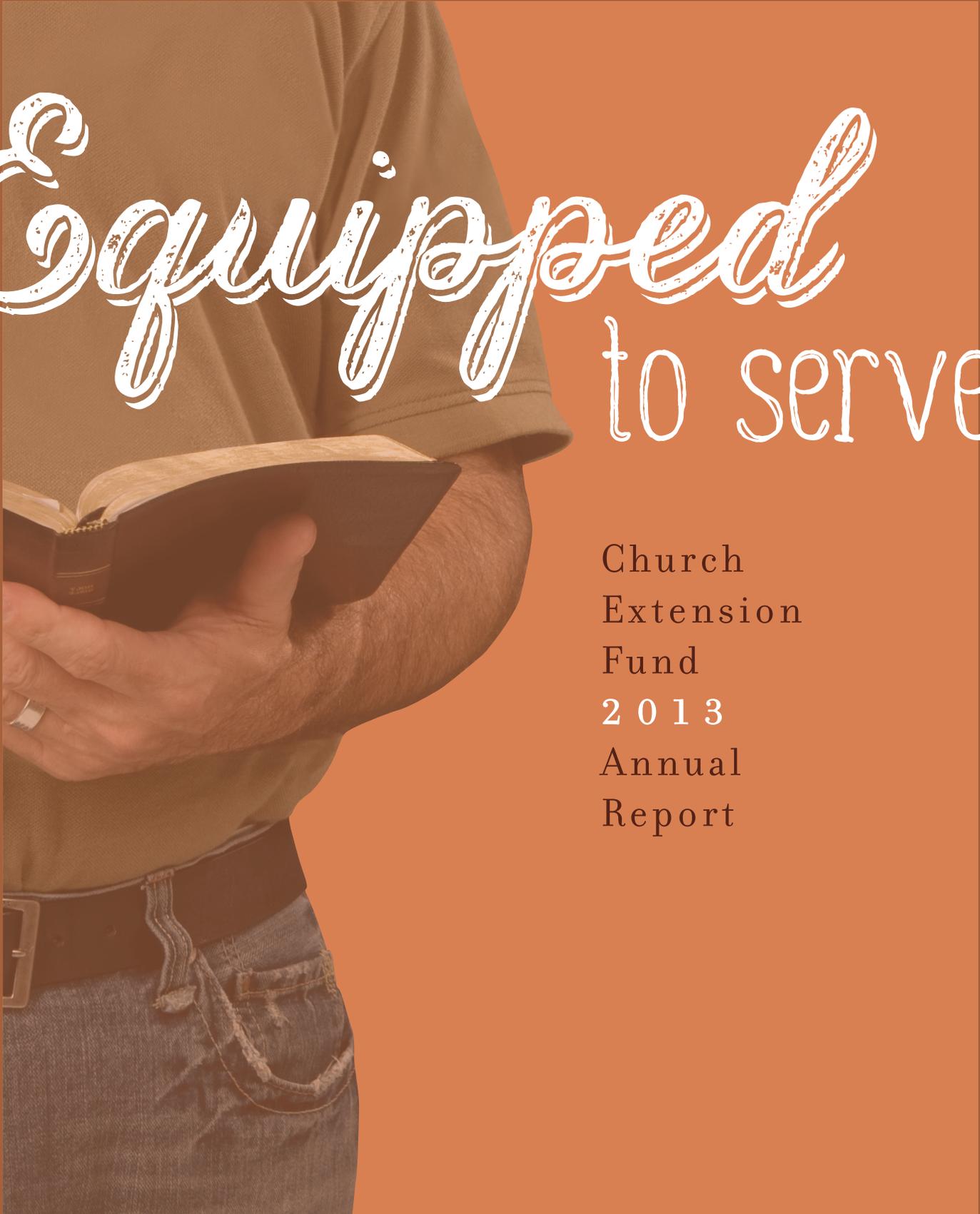


Connected Generations



Equipped
to serve

Church
Extension
Fund
2013
Annual
Report

“So Christ himself gave the apostles, the prophets, the evangelists, the pastors and teachers, to equip his people for works of service, so that the body of Christ may be built up until we all reach unity in the faith and in the knowledge of the Son of God and become mature, attaining to the whole measure of the fullness of Christ.”

Connected Generations *Equipped to Serve*

Dear Investors and Friends of CEF:

Many thanks are owed to those investors who have seen fit to place a portion of their savings dollars with CEF. It is because of them that this organization is **equipped to serve** the financing needs of congregations and other ministries in the Michigan District of the Lutheran Church-Missouri Synod.

In 2013, the Church Extension Fund in the Michigan District posted a year of financial gain and strength. As a result, we are not only ready to serve but also positioned with solid benchmarks that promote investor confidence. Those benchmarks include:

Cash and invested reserves of \$86.3 million at year-end 2013, up from \$76.9 million at year-end 2012, for an increase of \$9.4 million.

CEF is ready to serve the borrowing needs of congregations and other ministries with the financial resources necessary for the spreading of the Gospel. Indeed, our mission is to help wherever we can by connecting generations with the Great Commission.

Net Asset increase of \$2.2 million, from \$50.4 million in 2012 to \$52.6 million at the close of 2013.

One of the benchmarks that measures the health of a financial institution is the Capital Ratio: simply Net Assets divided by Total Assets. As of December 31, 2013, our Capital Ratio was 19.10% versus 18.30% (at year-end 2012) and 18.02% (at year-end 2011). By way of comparison, most banks and credit unions operate with a Capital Ratio in the 10 to 12 percent range. CEF has been blessed to exceed that by one-and-a-half times.

When congregations are equipped with facilities to effectively preach and teach the saving Gospel message, they serve their communities.

When schools have facilities that engage students for learning, they can help equip those students for a life of service in or for the church.

When professional church workers have access to low-cost housing loans, they are equipped to meet the needs of their family and focus on their calling. **When** other agencies of the District have access to financing ministry, they are equipped to serve.

You become the **WHEN** as you invest in, support and pray for CEF. Together, we thank God for blessing us with the resources that allow all of us to be Connected Generations, Equipped to Serve.

In Him, with you,

Ronald L. Steinke, President & CEO
Church Extension Fund



Equipped to Serve

across the generations

Since its founding in 1901, Church Extension Fund has always been a means to a far greater end. Whether it is construction loans for congregations, home mortgages for church workers, grants, lines of credit, or funds for professional training, our aim is to equip God's people for ministry in His earthly kingdom.

In this year's annual report, we highlight 10 stories that, on the surface, couldn't be more different. They feature congregations large and small, a preschool, a children's ministry, a high school, a university, a state-wide service agency, a leadership coaching training program and the Michigan District itself.

Yet despite their apparent differences, all these stories share one common theme. They demonstrate the vital role of CEF and its investors in the work of equipping those who serve.

Hope Lutheran Church

DEWITT

It was 2008 and the Great Recession was underway when the members of Hope Lutheran decided the time had come, finally, to renovate their church. Sunday services were overcrowded, and there was no space for fellowship or community service ministries. Several earlier attempts at additions and improvements had been abandoned.

But now something had to be done.

Although the timing was far from ideal, the need was urgent. And so the building committee was restarted, architectural plans were drawn up and, in early 2010, a capital campaign was launched.

“We hadn’t done a stewardship campaign since the early 1990s,” recalls Pastor E. Anthony Sikora. “But with the help of Wittenberg Church Consultants, the congregation agreed that we needed to be taught and empowered by the Gospel to surrender God’s gifts back to Him for His use.”

What followed was nothing short of miraculous. As Pastor Sikora explains, “We got so far ahead in pledges so quickly that we were able to begin construction a year before the capital campaign ended.”

In 2012, a mortgage loan was arranged with CEF and construction began. In May of 2013, Hope Lutheran celebrated the completion of its new fellowship hall, three main floor classrooms, a nursery, restrooms, and a state-of-the-art kitchen.

The renovations have benefited both the congregation and the community. Childcare resources make worship more enjoyable and meaningful for everyone. There’s fellowship after every service. And the renovated parish hall has already been used for conferences, community-wide Bible study classes, and a Red Cross blood drive.

Bethlehem Lutheran

LEWISTON

Until last year, an antiquated sound and lighting system made every worship service at Bethlehem Lutheran Church an adventure — and not in a good way.

Each Sunday, the 1970’s-vintage rheostat system created an unpredictable light show that faded, flickered and saddled the congregation with high electrical bills.

An obsolete sound system, consisting of one oversized speaker, left front-row parishioners reaching for ear plugs while those in back missed what was being said.

In 2013, the congregation decided to invest in technology upgrades, with the help of CEF’s Green Grant and Loan Program. As part of the loan package, the church received a grant for 10 percent of the \$24,000 used to purchase the new lighting system.

“The difference has been phenomenal,” notes Pastor Steven Thiel. “Our new LED system uses just 1,500 watts as opposed to the old system’s 25,000 watts. Based on our first full month of use, we have realized savings of \$115. And with the new sound system, we can worship without distractions. Everyone hears every word.

Also, we’ve been able to expand our outreach ministry by providing digital recordings of our services — along with CD players — for shut-ins and those in hospitals and nursing homes.”



Equipped to Serve

St. Mark Lutheran SAGINAW

In 2012, St. Mark Lutheran launched a major construction project with a \$1 million loan from CEF. And with a clear set of goals.

The church's popular Preschool Program needed a permanent home rather than shared, temporary space. The Youth Group was holding its Bible study and fellowship in open hallways. Classrooms were in short supply. Work, meeting and storage areas also were needed for a variety of other ministries.

But, as the congregation discovered, God had plans of His own.

Plans that would use the new 10,000 square foot facility in some unexpected ways.

As Pastor Edward Meyer explains, "Even before our grand opening last June, we prepared and served a funeral meal for a sister congregation in our state-of-the-art kitchen. Since then, the building addition has continued to spark ideas.

For instance, once the Preschool

Program was settled in its new space, we realized that our community needed more in the way of child care. So now we're thinking of starting a day care program as a connected ministry."

There's more. With ample storage space now available, the church's food pantry ministry is expanding. A member of the congregation has created Lose2Gain, a program that combines Bible study with physical activity and health education. And the church is hosting exercise classes for the public.

"Some of the members originally thought this building was for us," Pastor Meyer notes. "But praise be to God, we are learning that we can now serve our King by serving the entire community."

Lakeshore Lutheran Fellowship

SPRING LAKE

When Pastor Chris Boehnke accepted the call to Lakeshore Lutheran Fellowship in 2010, the mission church had already built two sanctuaries. The older facility — known as "the Ark" because of its distinctive, ship-like architecture — was being used as a ministry space for more than 75 children. But it was far from ideal.

As Pastor Boehnke recalls, "It was basically one very large space designed for receptions and other gatherings. There were no youth rooms, no separate classrooms. In many ways, the space was hampering our children's ministry."

In 2012, the congregation agreed the time had come to renovate their worship center and make the old sanctuary a more child-friendly space. The IMPACT Campaign was launched that same year with \$315,000 in pledges and a loan from CEF. The goal, in Pastor Boehnke's words, was to "create an irresistible environment that would have an impact on people's lives."

To minimize costs, church volunteers handled everything from teardown to interior carpentry and painting. By June of 2013, the worship center had a new entrance and reception area, better organized office space, more storage, and energy-efficient lighting paid for in part by the CEF Green Grant Program. Best of all, the children's facility had been transformed into a colorful, inviting space complete with classrooms, a youth room, a secure nursery and a well-equipped auditorium — all decorated in rainbows and Ark-themed animal prints.

"This renovation has removed a stumbling block," says Pastor Boehnke. "We're using all of our spaces more effectively, with greater impact. We've revitalized our children's ministry. And the excitement and enthusiasm has prepared us for our next stage of ministry."



Trinity Lutheran School

UTICA

At 131 years and counting, Trinity Lutheran School is one of the oldest educational institutions of its kind. In 1988, the congregation took a leap of faith by building a new school with an unfinished third floor, designated “for future growth.”

In the 1990s, that growth slowed considerably and, for 25 years, the third floor was used for storage and the church’s social ministry program.

In 2008, the year Thomas Wrege became principal, the school had 388 students — marking a low point in its enrollment. Wrege was convinced that Trinity could be serving more families. “I love this school,” he says.

“But there was a gap in our programming. We had a small preschool and no childcare, which meant we were missing an opportunity to share Christ’s story.”

The school conducted a demographic study and scheduled visits with successful Lutheran childcare centers in the area. Soon after, Trinity Lutheran opened its own childcare facility, which helped the preschool grow quickly to 100 students.

In 2012, the congregation took another leap of faith by launching a \$2.3 million building campaign. The entire facility was renovated, and the third floor was finally finished.

Trinity Lutheran gained four new classrooms, a computer lab, a worship music room, and an expanded art room. For the first time, the school had its own separate entrance.

A new parking lot was added, along with a mini-soccer field and an accessory building for social ministries.

“CEF has been our foundation,” says Wrege. “We couldn’t have done what we did without the loan and line of credit they provided. These renovations have generated a real sense of excitement at Trinity Lutheran School.”

Valley Lutheran High School

SAGINAW

Since its founding in 1977, Valley Lutheran High School has earned a stellar reputation. Today, it draws students from a 40-mile radius by offering a rich educational experience rooted in the teachings of Christ. As a result of its continuing drive for excellence in academics, extracurricular activities and community service, Valley has been nominated to be a National Exemplary Lutheran School.

Last year, that same drive for excellence inspired Executive Director John Brandt to take part in a new management assessment and coaching program known as Leadership Coaching. Launched by Church Extension Fund in early 2013, the program offers participants an in-depth assessment of their leadership style followed by six one-on-one professional coaching sessions with specially trained LCMS pastors and principals. Half of the cost is paid by CEF.

“When the flyer arrived, I was already familiar with the program through my work as a board member with another organization,” Brandt says. “This seemed like a great opportunity to get feedback from staff members at every level, in a professional way. And with CEF paying the lion’s share of the fee, it was too good to pass up.”

Brandt notes that, while some so-called leadership programs produce only superficial change, the Leadership Coaching program offers a process for affirming the positive and making meaningful improvements. “If you work through the process diligently, you become more effective in your ministry — whatever that ministry happens to be. I commend CEF for doing this, for taking the initiative to build the human capital of the church.”



St. John Lutheran CHEBOYGAN

When Pastor Randy Johnson accepted the call to restart a mission church in New Buffalo four years ago, he and his wife expected to face some ministerial challenges. What they didn't expect was having to face real estate challenges as well.

But three years after buying a home in New Buffalo with the help of a CEF loan, Pastor Johnson was called to another ministry, this time at St. John Lutheran in Cheboygan. And suddenly, housing was not just an issue — it was a problem.

“With the housing market in a slump, we weren't able to sell our house in New Buffalo,” Pastor Johnson explains. “And, of course, we needed a place to live in Cheboygan as well. Fortunately, CEF was extremely gracious and allowed us to purchase a new home while we still owned the New Buffalo property.”

Given the special circumstances, CEF provided the Johnsons with both a mortgage loan and a down payment loan. The Michigan District then agreed to act as guarantor of both loans.

“The CEF loans have been a big blessing,” says Pastor Johnson, who has since been able to sell the New Buffalo property.

“We have a comfortable home here in Cheboygan, and that allows us to keep our focus on our mission.

For me, it's one less worry, one less distraction. It enables me to give my full attention to ministry and the people of this community.”



Concordia University ANN ARBOR

Over the course of its 50 year history, Concordia University - Ann Arbor (CUAA) has educated thousands of church workers, business professionals and adult learners. But by 2009, the college was facing financial challenges that threatened its very existence.

That's when Concordia University of Wisconsin (CUW) stepped in. “Over the years, we've seen so many Lutheran schools close their doors forever,” says President Patrick Ferry. “Concordia Ann Arbor has an important mission, one worth pursuing. So rather than take the easy way out, we began exploring what we could do to help.”

It took intense cooperation and effort on the part of both universities, as well as generous financial assistance from LCMS boards, adjoining Districts in the LCMS and Church Extension Fund. But on July 1 of 2013, Concordia University - Ann Arbor merged with CUW to become part of the largest Lutheran university in North America.

“In all of this, Church Extension Fund has been a strong champion,” says President Ferry. “By providing \$12 million in loans, CEF enabled the merger to go forward and continues to allow Concordia Ann Arbor to operate on a fiscally sound footing. This debt restructuring has enabled us to move forward — renovating key buildings, constructing new facilities and creating a campus that attracts students from throughout the region.”

As President Ferry explains, the two-campus model will

enable CUAA to capitalize on its strengths by offering a Lutheran educational experience in a Big 10 college town. “We're extremely excited and optimistic about the future. Thanks to this merger, Concordia Ann Arbor can now expand its offerings and add new professional programs that will equip students for lives of meaningful Christian service.”

Wellspring Lutheran Services

For nearly 120 years, Lutheran Child and Family Service (LCFS) and Lutheran Homes (LH) were sister organizations, working side-by-side. Originally established to help aging clergy and their wives, LH has become the state's largest service agency for the elderly — providing a continuum of care from home services to hospice. LCFS, founded in 1897 to care for orphans, is now one of Michigan's leading child service providers.

In 2010, the two agencies realized the time had come to rethink the future of the church's human care ministry. The question was: would we be better equipped to serve congregations and clients in the 21st century as one organization — or two? After lengthy discussions, the answer was clear. By integrating their resources and expertise, LCFS and LH would be able to serve people in a more unified way and interact more intensely with congregations in their journey of service.

At the Michigan District Convention in 2012, the two organizations pledged a new future and presented a vision for re-engaging the church in social ministry. In October of 2013, LCFS and LH merged to become Wellspring Lutheran Services.

Wellspring CEO David Gehm notes that the merger is already bearing fruit. With a grant from LCMS Missions, Wellspring launched Together With Impact, a program that helps congregations organize human care ministries and reach into their communities more effectively.

The new entity has also become a clearinghouse, enabling churches to learn from each other in shaping their social ministries. And Wellspring continues to serve nearly 14,000 clients state-wide.

“By providing lines of credit and a mortgage loan, CEF enabled Wellspring to reposition its debt and purchase a building for its homecare and hospice program,” says Gehm. “Above all, CEF has given us the financial stability to make long-term plans, so that we can focus on helping and healing people.”

Michigan District - LCMS

From its headquarters in Ann Arbor, the Michigan District of The Lutheran Church-Missouri Synod serves 380 congregations, along with dozens of LCMS preschools, K-12 schools and college campus ministries. The District also funds several ministries and mission starts across the state.

From the very beginning, Church Extension Fund has had a close working relationship with the Michigan District. “CEF is a valued partner in our collective journey of service,” notes Chad Woltemath, Assistant to the President for Business and Finance.

“They support a range of grants, events, resources and programs.” One of those programs, offered through the Sowers' Fund, provides counseling services for church workers.

“In addition,” Woltemath notes, “almost all of our events benefit from CEF support. That includes our annual Pastors' Conferences and the Office Personnel Conference, which is underwritten almost entirely by Church Extension Fund.”

Over the past several years, through a matching fund agreement, CEF contributed \$500,000 to The Future is Now, Michigan District's 125th anniversary fundraising campaign. CEF financial support was also crucial to the successful merger of Concordia University-Ann Arbor and Concordia University-Wisconsin.

There's no doubt as to the overall impact of this ongoing stewardship. “By supporting health- and education-related initiatives for church workers throughout the state, CEF contributions benefit the entire District,” says Woltemath. “And that, in turn, benefits and strengthens the ministries of every LCMS congregation.”



Connected Generations Equipped to Serve

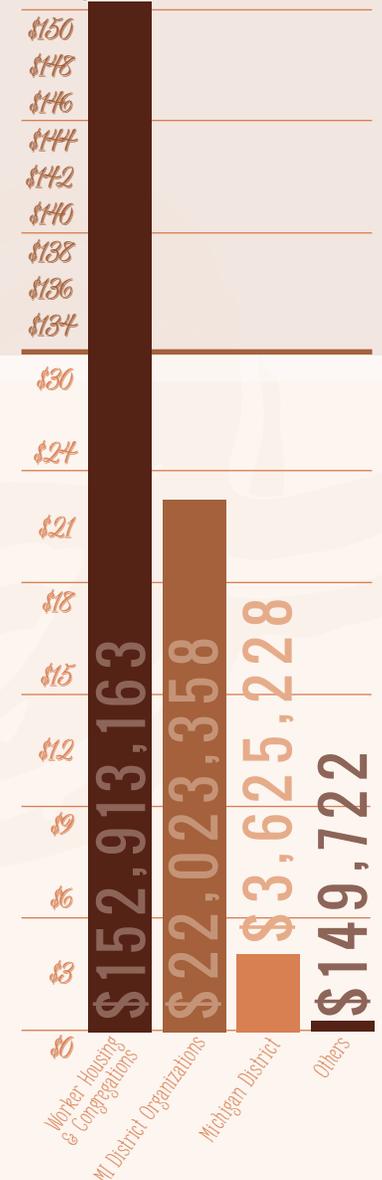
Financials 2013

As they have done for generations, our investors made it possible for CEF to provide financial resources to congregations across the state. Whether funds were used to help plant missions, build new worship spaces, update community facilities, or support human service programs, these loans furthered God's work.

Financials	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013
Total Assets	\$271,300,460	\$275,658,350	\$275,631,729
Investments (Deposits)	\$222,389,814	\$224,906,076	\$222,628,151
Total Loans	\$193,074,569	\$190,111,370	\$178,711,471
Housing & Congregational Loans	\$163,726,243	\$158,369,903	\$152,913,163
Michigan District Organizations, Michigan District & Other Loans	\$29,348,326	\$31,741,467	\$25,798,308
New Dollars Loaned	\$10,327,562	\$12,539,455	\$11,067,439
Net Assets (Equity)	\$48,889,193	\$50,446,081	\$52,634,205

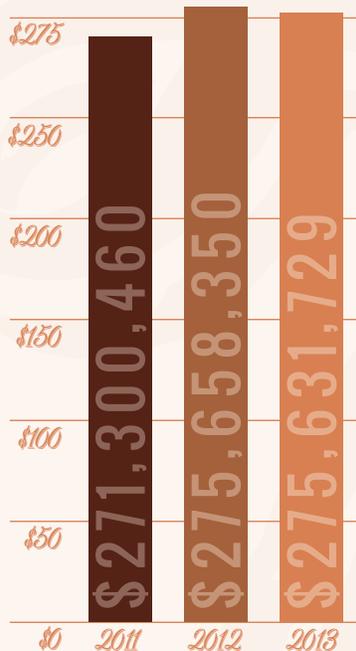
Loans (in millions)

CEF continues to be well positioned to help with the financial needs of congregations as they expand their ministry in the future.



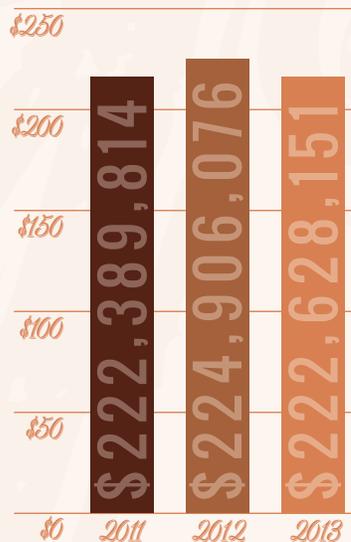
Total Assets (in millions)

Total Assets of the Michigan District Church Extension Fund leveled off in 2013.



Total Investments (deposits) (in millions)

We are grateful for the thousands of investors who are partnering with CEF. Their sharing of God's blessing to them, through their investments, are indeed providing a blessing to churches, schools, church workers and entities of the Michigan District and beyond.



Connected Generations

Equipped to Serve

The Green Grant and Loan Program was created by CEF's Board of Trustees in the spring of 2012 and concluded at the end of 2013. During that time, 80 congregations used the program to help fund energy-saving improvements totaling \$2.33 million. CEF reimbursements — made through the Green Grant program — amounted to 10% or \$232,466. One more way Church Extension Fund is helping to equip Michigan District Congregations for service.

Albion

St. Paul

Ann Arbor

St. Paul

Peace

St. Thomas

Bay City

Faith

St. John

Benzonia

Our Savior

Big Rapids

St. Peters

Birmingham

Lutheran Church of
The Redeemer

Brighton

Shepherd of the Lakes

Brooklyn

Saint Mark

Caro

St. Paul

Centreville

St. Paul

Clarkston

St. Trinity

Clinton Twp

Trinity

Clio

Messiah

Conklin

Trinity

Coopersville

Grace

Detroit

Greenfield Peace

Iglesia Luterana
Pan De Vida

St. Philip

DeWitt

Hope

East Lansing

Ascension

Farmington Hills

Prince of Peace

Flint

Our Savior

St. Mark

Frankenmuth

St. Lorenz

Fraser

St. John

Grand Rapids

Immanuel

Saint James

St. Matthew

Holt

Messiah

St. Matthew

Hubbard Lake

St. Paul

Huntington Woods

Huntington Woods

Interlochen

Redeemer

Kalkaska

St. Paul

Kentwood

St. Mark

Lake Orion

Good Shepherd

Lewiston

Bethlehem

Ludington

St. John

Macomb

Immanuel

St. Peter

Manistee

Norwalk

Midland

Messiah

St. John

Millington

St. Paul

Monroe

Holy Ghost

Immanuel

Mount Pleasant

Christ the King

Zion

North Branch

New Life In Christ

Northville

St. Paul

Nunica

St. Luke

Pinconning

St. John

Port Hope

St. John

Redford

Hosanna-Tabor

Reed City

Trinity

Richmond

St. Peter

Richville

St. Michael

Rochester

Living Word

St. John

Rochester Hills

Crown of Life

Rogers City

St. John

Romeo

Grace Fellowship

Saginaw

Good Shepherd

Holy Cross

Messiah

Sawyer

Trinity

Shelby Twp

Peace

Spring Lake

Lakeshore

Stanton

Hope

Stevensville

Christ

St. Charles

Nativity

St. Helen

Hope

Troy

Faith

St. Augustine

Utica

Trinity

Walled Lake

St. Matthew

Washington

Our Redeemer

West Bloomfield

St. Mark

Whitehall

Faith

Whittemore

Good News Ministries

Church Extension Fund is
a ministry of partnering
Christians to make resources
available for members and
churches of the Michigan
District in carrying forward
the Great Commission.



Church Extension Fund

Michigan District of the Lutheran Church — Missouri Synod

3773 Geddes Road Ann Arbor, MI 48105-3098

Office: 800-242-3944 Interest Rates Anytime: 800-232-7313 Visit us online: www.mi-cef.org

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