



**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

**CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JANUARY 31, 2022**

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

To the Synod Council
Minneapolis Area Synod
of the Evangelical Lutheran Church in America
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of Minneapolis Area Synod of the Evangelical Lutheran Church in America (a nonprofit organization) and its affiliate, which comprise the consolidated statement of financial position as of January 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minneapolis Area Synod of the Evangelical Lutheran Church in America and its affiliate, as of January 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minneapolis Area Synod of the Evangelical Lutheran Church in America and its affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minneapolis Area Synod of the Evangelical Lutheran Church and its affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Minneapolis Area Synod of the Evangelical Lutheran Church in America and its affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Minneapolis Area Synod of the Evangelical Lutheran Church in America and its affiliate'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.

Report on Summarized Comparative Information

We have previously audited Minneapolis Area Synod of the Evangelical Lutheran Church in America and its affiliate's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

(Continued)

Report on Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 21 and 22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahoney Ulbrich
Christiansen Russ P.A.*

April 27, 2022

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

January 31, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,164,622	\$ 1,403,859
Investments (Note 4)	3,807,530	2,708,951
Contributions receivable	-	459,125
Prepaid expenses	26,774	34,636
Leasehold improvements and equipment, net (Note 5)	<u>7,349</u>	<u>1,845</u>
Total assets	<u>\$ 5,006,275</u>	<u>\$ 4,608,416</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 3,242	\$ -
Due to ELCA	193,021	250,989
Accrued payroll and related expenses	18,415	17,191
Funds held for others	<u>20,544</u>	<u>24,615</u>
Total liabilities	<u>235,222</u>	<u>292,795</u>
Net assets:		
Without donor restrictions		
Designated (Note 7)	2,332,024	2,304,660
Undesignated	<u>479,006</u>	<u>547,498</u>
Total without donor restrictions	2,811,030	2,852,158
With donor restrictions (Note 8)	<u>1,960,023</u>	<u>1,463,463</u>
Total net assets	<u>4,771,053</u>	<u>4,315,621</u>
Total liabilities and net assets	<u>\$ 5,006,275</u>	<u>\$ 4,608,416</u>

See Accompanying Notes to Consolidated Financial Statements.

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

	2022			
	Without donor restrictions	With donor restrictions	Total	2021
Support and revenue:				
Mission support from congregations	\$ 2,900,238	\$ -	\$ 2,900,238	\$ 2,867,069
Designated benevolence	201,043	239,730	440,773	165,123
Contributions	50,000	868,506	918,506	1,231,818
ELCA Stewardship grant	10,000	-	10,000	10,000
ELCA COVID-19 grants	7,000	-	7,000	82,500
Donated services	2,993	-	2,993	3,119
Investment income	89,734	-	89,734	147,946
PPP grant revenue	-	-	-	192,000
Miscellaneous	2,047	-	2,047	2,969
Net assets released from restrictions:				
Satisfaction of program and time restrictions	611,676	(611,676)	-	-
Total support and revenue	3,874,731	496,560	4,371,291	4,702,544
Expenses:				
Program services	3,532,143	-	3,532,143	3,563,851
General and administrative	334,195	-	334,195	363,667
Fundraising	49,521	-	49,521	59,676
Total expenses	3,915,859	-	3,915,859	3,987,194
Change in net assets	(41,128)	496,560	455,432	715,350
Net assets:				
Beginning of year	2,852,158	1,463,463	4,315,621	3,600,271
End of year	\$ 2,811,030	\$ 1,960,023	\$ 4,771,053	\$ 4,315,621

See Accompanying Notes to Consolidated Financial Statements.

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

	2022				2021
	Program services	Management and general	Fundraising	Total	
Salaries	\$ 664,123	\$ 204,703	\$ 31,196	\$ 900,022	\$ 793,013
Payroll taxes	29,974	9,239	1,408	40,621	32,805
Employee benefits	178,360	54,976	8,378	241,714	224,481
 Total salaries and related	 872,457	 268,918	 40,982	 1,182,357	 1,050,299
Ministries:					
ELCA Mission Support	1,450,119	-	-	1,450,119	1,433,535
Other missions	803,092	-	-	803,092	1,026,894
Partnership Ministries	182,230	-	-	182,230	182,847
Congregational Support	24,929	-	-	24,929	14,546
Committee Expenses	3,455	-	-	3,455	12,723
Tables	-	-	-	-	348
	2,463,825	-	-	2,463,825	2,670,893
Synod Assembly:					
Catering/food	871	-	-	871	-
Facilities/services	8,286	-	-	8,286	-
Presenters	3,000	-	-	3,000	-
Other	1,865	-	-	1,865	177
	14,022	-	-	14,022	177
Office rent	102,019	31,446	4,792	138,257	141,009
Office expenses	29,066	8,937	1,362	39,365	36,195
Communications	2,295	708	108	3,111	1,950
Professional fees	20,025	15,423	941	36,389	56,986
Travel	6,435	1,983	302	8,720	5,371
Conferences, dues & subscriptions	9,218	2,841	433	12,492	11,127
Insurance	2,914	898	137	3,949	4,827
Depreciation	1,192	368	56	1,616	2,321
Miscellaneous	8,675	2,673	408	11,756	6,039
 Total expenses	 <u>\$ 3,532,143</u>	 <u>\$ 334,195</u>	 <u>\$ 49,521</u>	 <u>\$ 3,915,859</u>	 <u>\$ 3,987,194</u>

See Accompanying Notes to Consolidated Financial Statements.

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 455,432	\$ 715,350
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	1,616	2,321
Realized and unrealized gains	(56,095)	(107,807)
Interest and dividends reinvested, net	(33,590)	(39,930)
Changes in operating assets and liabilities:		
Accounts receivable	-	1,667
Contributions receivable	459,125	(459,125)
Prepaid expenses	7,862	(6,848)
Accounts payable	3,242	(400)
Due to ELCA	(57,968)	(18,367)
Accrued payroll and expenses	1,224	1,012
Funds held for others	(4,071)	(1,020)
Net cash flows from operating activities	<u>776,777</u>	<u>86,853</u>
Cash flows from investing activities:		
Payments for furniture and equipment	(7,120)	(2,013)
Proceeds from sale of Jordan New Life property, net	-	296,555
Purchase of investments	(1,055,049)	(696,553)
Proceeds from sales of investments	46,155	374,612
Net cash flows from investing activities	<u>(1,016,014)</u>	<u>(27,399)</u>
Net increase (decrease) in cash and cash equivalents	(239,237)	59,454
Cash and cash equivalents, beginning of year	<u>1,403,859</u>	<u>1,344,405</u>
Cash and cash equivalents, end of year	<u>\$ 1,164,622</u>	<u>\$ 1,403,859</u>

See Accompanying Notes to Consolidated Financial Statements.

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION

The Minneapolis Area Synod (the Synod) of the Evangelical Lutheran Church in America (ELCA) is an incorporated administrative unit of the ELCA that oversees 140 congregations. These financial statements include the assets, liabilities, revenues and expenses of the Synod but do not include any congregations because they are separate 501(c)(3) entities that are not controlled by the Synod. Substantially all support and revenue comes from member congregations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of the Synod and the Minneapolis Area Service Corporation (MASC). MASC is a Minnesota nonprofit corporation formed for the purpose of holding, managing and disposing of real properties formerly owned by congregations affiliated with the Synod. The Board of MASC is appointed by the Synod and the Bishop is a Director of the Corporation. Inter-entity transactions and balances have been eliminated in consolidation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - The Synod reports information regarding its financial position and activities in the following net asset categories:

- *Net Assets Without Donor Restrictions* - Net assets available to use in general operations at the discretion of management and the Synod Council and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents - The Synod considers all highly liquid investments purchased with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents. For purposes of the statement of cash flows, investments held in the ELCA Mission Investment Fund (MIF) are not considered cash equivalents.

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The Synod invests in professionally managed portfolios that contain various equity and fixed income securities and funds. MIF investments are stated at cost. Other investments are stated at fair value. Realized and unrealized gains and losses are included in investment income(loss) in the statement of activities and are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported on the statement of financial position.

Fair Value Measurements - The Synod determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs which are categorized using the following hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

Contributions Receivable - Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Management believes that all amounts will be received when due, therefore no allowance for doubtful accounts has been provided. Receivables are written off when, in management's estimation, it is probable that the receivable is worthless.

Jordan New Life Property - MASC had a 51% ownership interest in the Jordan New Life Property which was carried at estimated fair market value at the time it was donated and subsequently adjusted for impairment when there was a change in circumstances indicating that the carrying value of such property was not be recoverable. The property was sold in February 2020.

Leasehold Improvements and Equipment - All expenditures over \$2,000 for leasehold improvements and equipment are capitalized and carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments are capitalized.

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**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Held for Others - The Synod receives funds from the ELCA, congregations and donors and remits these funds to the specified beneficiaries. These transactions are not included in the statement of activities since the Synod has no discretion in how the funds are used. Such amounts are recorded as a liability until released to the beneficiary.

Contributions - Contributions are recognized when the donor makes an unconditional commitment to give to the Synod. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

Grants - The Synod awards grants that reflect its mission and ministries. Grants are made to congregations, nonprofit organizations, and other entities. Certain grant funds are designated by bylaws created when the funds were created. Grants are recorded in the period of the award.

Functional Expenses - Expenses have been allocated among program and support services classifications based upon direct expenditures and estimates made by the Synod's management based on how employees spend their time. Indirect costs that benefit multiple functional areas, including office rent, office expenses, communications, professional fees, travel, conferences, dues & subscriptions, insurance, depreciation, and miscellaneous are allocated based on employee time and effort.

Income Taxes - The Synod is organized exclusively for charitable, religious and educational purposes and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has taxable income from activities that are not related to its exempt purpose. The Synod is also exempt from state income taxes. MASC is wholly owned by the Synod and is disregarded for tax purposes. Management believes the Synod did not have any uncertain income tax positions or unrelated business income in 2022 and 2021.

Prior Year Summarized Information - The financial statements include certain prior year summarized information in total but not by net asset class and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Synod's financial statements for the year ended January 31, 2021, from which the summarized information was derived.

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**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

3. LIQUIDITY AND AVAILABILITY

The Synod's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,164,622	\$ 1,403,859
Investments	3,807,530	2,708,951
Contributions receivable	<u>-</u>	<u>459,125</u>
Total financial assets available within one year	<u>4,972,152</u>	<u>4,571,935</u>
Less:		
Synod Council designated (Note 7)	(2,332,024)	(2,304,660)
Donor restricted (Note 8)	<u>(1,960,023)</u>	<u>(1,463,463)</u>
Total financial assets available within one year after Synod Council designations and donor restrictions	<u><u>\$ 680,105</u></u>	<u><u>\$ 803,812</u></u>

As part of the Synod's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of immediate requirements is invested.

The Synod also has a \$100,000 line of credit available to meet cash flow needs. In addition, the Synod Council has designated net assets without donor restrictions that are intended for the identified purposes, but which could be made available for current operations if necessary.

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Synod's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Synod 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 fair value measurement at the reporting date.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Synod's investments as of:

	Fair Value	Fair Value Measurement at Reporting Date Using:		
		Level 1	Level 2	Level 3
January 31, 2022				
Mutual funds	\$ 2,142,911	\$ 2,142,911	\$ -	\$ -
Exchange traded products	155,198	155,198		
Beneficial interests in:				
ELCA Mission Investment Fund	1,451,357	-	1,451,357	-
Endowment investments:				
ELCA Endowment Fund A (See Note 9)	58,064	-	58,064	-
	<u>\$ 3,807,530</u>	<u>\$ 2,298,109</u>	<u>\$ 1,509,421</u>	<u>\$ -</u>

	Fair Value	Fair Value Measurement at Reporting Date Using:		
		Level 1	Level 2	Level 3
January 31, 2021				
Mutual funds	\$ 2,116,387	\$ 2,116,387	\$ -	\$ -
Beneficial interests in:				
ELCA Mission Investment Fund	540,733	-	540,733	-
Endowment investments:				
ELCA Endowment Fund A (See Note 9)	51,831	-	51,831	-
	<u>\$ 2,708,951</u>	<u>\$ 2,116,387</u>	<u>\$ 592,564</u>	<u>\$ -</u>

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used.

The mutual funds and exchanged traded products are held with professionally managed investment brokerage firms and are recorded at fair value based on quoted prices in active markets.

Investments at the ELCA Mission Investment Fund (MIF) consist of interest-bearing term instruments and are carried at cost, which approximates market value, and are uninsured. These investments are solely the obligation of MIF, a separate corporation from the ELCA. MIF uses proceeds from sale of its securities primarily to provide financing to ELCA congregations for specified purposes. There are no known restrictions on redemption of these investments.

The ELCA Endowment Fund A is a component of the ELCA Endowment Fund Pooled Trust. Participants are assigned share units according to the Fund's unit value at the time the investment is received. The Fund is managed and invested by professional advisors. The Fund is structured to provide participants with a stable, quarterly stream of distributable income that grows over time approximately in line with the expected long-term rate of inflation. The Fund also seeks to provide participants with long-term capital appreciation.

Investments in the ELCA Endowment Fund A are carried at fair value based on the reported market value per unit held. These investments are solely the obligation of the ELCA Foundation, a separate corporation from the ELCA. The Fund's target asset allocation is 35% US equity; 25% non-US equity; 15% investment grade bonds; 5% inflation indexed bonds; 10% high yield bonds and 10% global real estate securities. There are no known restrictions on redemption of these investments.

5. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of:

	<u>2022</u>	<u>2021</u>	<u>Estimated useful life - years</u>
Office furniture and equipment	\$ 71,131	\$ 64,011	3 - 5
Leasehold improvements	84,720	84,720	3 - 5
Less accumulated depreciation	<u>(148,502)</u>	<u>(146,886)</u>	
	<u>\$ 7,349</u>	<u>\$ 1,845</u>	

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

6. LINE OF CREDIT

The Synod has a \$100,000 line of credit from Bremer Bank secured by the assets of the Synod. The revolving line of credit matures August 31, 2022. The variable interest rate is set by the lender plus 1.5% (3.25% at January 31, 2022), but will never be below 4.5% annually. There were no outstanding balances on the line of credit as of January 31, 2022 and 2021.

7. DESIGNATED NET ASSETS

The Synod Council has chosen to place the following limitations on net assets without donor restrictions:

	2022	2021
Resurrection fund	\$ 742,095	\$ 807,435
Victory Memorial fund	1,274,134	1,245,643
Operating reserves	72,124	82,014
Racial justice	67,165	31,620
ECO Faith	77,337	34,265
Mission endowment fund	58,064	51,831
Capital campaign	155	155
Capital campaign - CLNE	-	20,000
Peer group grants	2,572	4,729
Stewardship for all Seasons	37	446
Interim pastor support fund	21,191	11,191
Synod Assembly	3,250	-
Epiphany fund grant	-	6,654
Fixed asset reserve	13,880	6,999
Other	20	1,678
	<u>\$ 2,332,024</u>	<u>\$ 2,304,660</u>

The Synod has formed advisory committees to evaluate and make recommendations on proposals for the release of funds from the Resurrection fund and the Victory Memorial fund.

The Synod employs two organizers for its racial justice and ECO faith activities. The funds for these two organizing activities are released as expenditures for payroll, related benefits, and other expenses are incurred.

Other designated funds are released as approved by the Synod Council.

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2022
(With Comparative Totals for 2021)

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are for the following purposes:

	2022	2021
Economic justice	\$ 235,739	\$ 29,263
Synod vitality	2,720	18,055
Capital campaign – CLNE	-	241,541
Capital campaign – Priority 1 & 2	-	66,668
Faith/neighboring practices	842,536	998,958
Lutheran University Nigeria	507,560	-
Elderly poor/world hunger	71,459	-
Inheritance fund	210,000	-
Summer youth program	-	13,096
ECO Faith	36,140	36,140
Anchor Church	25,000	25,000
AMMPARO	7,456	7,500
Lutheran disaster response – COVID-19	10,000	10,000
Other	11,413	17,242
	<u>\$ 1,960,023</u>	<u>\$ 1,463,463</u>

Net assets with donor restrictions were released as follows:

	2022	2021
Economic justice	\$ 94,546	\$ 104,401
Synod vitality	18,055	289
Capital campaign - CLNE	241,541	357,818
Faith/neighboring practices	156,423	167
Inheritance fund	75,000	-
Summer youth program	13,471	9,500
ECO Faith	-	30,241
AMMPARO	44	-
Lutheran disaster response	-	72,500
Hostel for Seeking Souls	-	18,032
Theological Conference Fund	7,196	2,212
Other	5,400	417
	<u>\$ 611,676</u>	<u>\$ 595,577</u>

(Continued)

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8. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

In 2022, funds of \$66,668 initially restricted for Capital Campaign - Priority 1 & 2 were transferred to Lutheran University Nigeria after approval by the donor.

9. ENDOWMENT

The Synod has established an endowment fund administered by the ELCA Foundation. As of January 31, 2022, the endowment consists of funds designated by the Synod Council. The endowment was created to secure, strengthen, and extend the long-term viability of ministry by providing an ongoing stream of income that will be generated by the fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Synod Council has interpreted the Minnesota Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Synod would classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of any donor-restricted endowment fund that is not permanent would be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Synod in a manner consistent with the standard of prudence prescribed by MPMIFA.

Endowment net asset composition as of January 31, 2022, follows:

	Without donor restrictions	With donor restrictions	Total
Synod designated:			
Mission Fund	\$ 58,064	\$ -	\$ 58,064

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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9. **ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended January 31, 2022, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 51,831	\$ -	\$ 51,831
Investment return:			
Interest income	1,874	-	1,874
Net appreciation (realized and unrealized)	4,359	-	4,359
Total investment return	6,233	-	6,233
Investment withdrawals:	-	-	-
Endowment net assets, end of year	\$ 58,064	\$ -	\$ 58,064

Return Objectives and Risk Parameters - The Synod has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding. Under these policies, as approved by the Synod, the endowment assets are invested in a manner that is intended to preserve the endowment's principal, preserve purchasing power after inflation, and generate total returns (income plus capital appreciation), sufficient to support the Synod's mission.

Strategies Employed for Achieving Objectives - The endowment funds are invested in the ELCA Endowment Fund Pooled Trust Fund A and the ELCA Mission Investment Fund.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Distributions from the fund shall occur annually, or at such other times as deemed necessary and feasible to accomplish the fund's purposes. Distributions from the fund are calculated at 4.25% of the fund's 5-year rolling average. The distribution rate is reviewed and revised from time to time by the Endowment Fund Committee. In establishing this policy, the Synod considered the long-term expected return on its endowment and the ability of the endowment to achieve its overall investment objective. No funds were distributed in 2022 or 2021.

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10. LEASES

Office Space - The Synod leases its office space under an operating lease agreement that expires on December 31, 2022. Total rental expense was \$138,257 and \$141,009 during the years ended January 31, 2022 and 2021, respectively.

Office Equipment - The Synod leases various types of office equipment under multiple operating lease agreements that expire from February 2023 through February 2025. The lease expense under these agreements is included in office expenses. The lease expense was \$16,522 and \$14,663 for the years ended January 31, 2022 and 2021, respectively.

Future minimum rentals on long-term leases for the year ending January 31 are:

2023	\$ 153,175
2024	5,368
2025	1,667
2026	<u>250</u>
	<u>\$ 160,460</u>

11. RETIREMENT PLAN

The Synod is a participant in a defined contribution retirement plan administered by the ELCA Board of Pensions. The plan covers all eligible Synod employees and allows contributions up to Internal Revenue Code limits. The Synod makes contributions to the ELCA Board of Pensions for Synod employees based upon specified percentages of their annual compensation. Synod contributions were \$52,593 and \$55,444 during the years ended January 31, 2022 and 2021, respectively.

12. RELATED PARTIES

Southside Commons, a Minnesota nonprofit corporation, was formed during fiscal year 2015. The board of directors is appointed by the Synod. The Synod has no economic interest in the corporation and there were no financial transactions between the two organizations as of January 31, 2022. Accordingly, Southside Commons has not been consolidated with the Synod's financial statements.

The Synod does business with three organizations where the Bishop of the Synod serves on the board of directors. Transactions with these organizations include grants, partnership ministries, and office rent and related office expenses. Related party expenses were \$280,223 in 2022 and \$305,826 in 2021.

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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13. CONCENTRATIONS

The Synod places its cash with one banking institution. At times the amount on deposit exceeds the insured limit of the institution. At January 31, 2022 and 2021, the Synod's uninsured cash balances total \$1,012,775 and \$1,237,748, respectively.

Additionally, the investments in the Mission Investment Fund of the ELCA and ELCA Endowment Fund A are not insured.

Contributions receivable at January 31, 2021, were due from one foundation and were collected in 2022.

14. CONDITIONAL CONTRIBUTIONS

Around December every year, congregations submit to the Synod their plan of mission support for the upcoming calendar year. Support is given to the Synod based on actual contributions received by the congregation during the year. Because of the conditional nature of these commitments, these promises to give are not included in support and revenue until the conditions are substantially met. As of January 31, 2022 and 2021, the Synod had approximately \$1,530,920 and \$2,092,135 of conditional commitments, respectively.

15. CAPITAL CAMPAIGN

The Synod began the Together We Rise capital campaign in 2020, in partnership with the Redeemer Center for Life (RCFL) and Lutheran Social Service of Minnesota (LSS), to create a more equitable community that builds on inherent strengths by engaging neighborhoods to prioritize available programs and services, supporting young people to empower the next generation of leaders, and investing in Christ the River of Life Church building to create a thriving hub of community action and mutual support. This capital campaign falls under the overall mission of the Synod to oversee and improve the people and congregations that are part of the Synod, and not for a purchase separate from that mission.

The capital campaign had multiple priorities that the Synod raised funds for. The first priority was to build up the RCFL to ensure it has the resources it needs to both sustain its mission as well as respond to community needs as they evolve and change. The second priority was to revitalize the Christ the River of Life Building in North Minneapolis, to allow LSS to have a tangible office presence on the northside of Minneapolis. Both of these priorities began in 2020 and ended in 2022. Funds raised for these priorities were \$33,334 in 2022 and \$33,334 in 2021. In 2022, these funds were approved by the donor to be used for the Lutheran University Nigeria.

(Continued)

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15. CAPITAL CAMPAIGN (Continued)

The third priority was to raise funds to launch the Center for Leadership and Neighborhood Engagement (CLNE) in Minneapolis to focus on developing leaders for church and society. This priority began in 2020 and ended in 2022. Funds raised for this priority were \$8,000 in 2022 and \$199,359 in 2021. Funds spent for this priority were \$249,541 in 2022 and \$357,818 in 2021.

16. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The State of Minnesota has enacted measures to combat the global pandemic resulting from COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. There has been minimal impact on the Synod's operations. The potential future impact of these issues is unknown and therefore no estimate can be made at this time.

In 2021, the Synod applied for and received \$192,000 in Paycheck Protection Program (PPP) funding from a program developed by the Federal government in response to COVID-19. These funds were forgivable if certain conditions were met (primarily incurring qualified payroll costs) or were repayable with interest of 1.0% over 24 months ending on April 16, 2022. The Synod initially recorded the loan as a refundable advance and subsequently recognized as grant revenue in accordance with the guidelines for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2022, the date on which the financial statements were available for issue.

SUPPLEMENTARY CONSOLIDATING INFORMATION

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

January 31, 2022

	Minneapolis Area Synod	Minneapolis Area Service Corporation	Total	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 1,160,158	\$ 4,464	\$ 1,164,622	\$ -	\$ 1,164,622
Investments (Note 4)	3,807,530	-	3,807,530	-	3,807,530
Due from Minneapolis Area Service Corporation	10,633	-	10,633	(10,633)	-
Prepaid expenses	26,774	-	26,774	-	26,774
Leasehold improvements and equipment, net (Note 5)	7,349	-	7,349	-	7,349
Total assets	<u>\$ 5,012,444</u>	<u>\$ 4,464</u>	<u>\$ 5,016,908</u>	<u>\$ (10,633)</u>	<u>\$ 5,006,275</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 3,242	\$ -	\$ 3,242	\$ -	\$ 3,242
Due to ELCA	193,021	-	193,021	-	193,021
Accrued payroll and related expenses	18,415	-	18,415	-	18,415
Funds held for others	20,544	-	20,544	-	20,544
Due to Minneapolis Area Synod	-	10,633	10,633	(10,633)	-
Total liabilities	<u>235,222</u>	<u>10,633</u>	<u>245,855</u>	<u>(10,633)</u>	<u>235,222</u>
Net assets:					
Without donor restrictions					
Designated (Note 7)	2,338,193	(6,169)	2,332,024	-	2,332,024
Undesignated	479,006	-	479,006	-	479,006
Total without donor restrictions	2,817,199	(6,169)	2,811,030	-	2,811,030
With donor restrictions (Note 8)	1,960,023	-	1,960,023	-	1,960,023
Total net assets	<u>4,777,222</u>	<u>(6,169)</u>	<u>4,771,053</u>	<u>-</u>	<u>4,771,053</u>
Total liabilities and net assets	<u>\$ 5,012,444</u>	<u>\$ 4,464</u>	<u>\$ 5,016,908</u>	<u>\$ (10,633)</u>	<u>\$ 5,006,275</u>

See Independent Auditor's Report.

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended January 31, 2022

	Minneapolis Area Synod	Minneapolis Area Service Corporation	Total
Support and revenue:			
Mission support from congregations	\$ 2,900,238	\$ -	\$ 2,900,238
Designated benevolence	440,773	-	440,773
Contributions	918,506	-	918,506
ELCA Stewardship grant	10,000	-	10,000
ELCA COVID-19 grants	7,000	-	7,000
Donated services	2,993	-	2,993
Investment income	89,734	-	89,734
Miscellaneous	2,047	-	2,047
	<u>4,371,291</u>	<u>-</u>	<u>4,371,291</u>
Total support and revenue			
	<u>4,371,291</u>	<u>-</u>	<u>4,371,291</u>
Expenses:			
Program services	3,532,071	72	3,532,143
General and administrative	334,195	-	334,195
Fundraising	49,521	-	49,521
	<u>3,915,787</u>	<u>72</u>	<u>3,915,859</u>
Total expenses			
	<u>3,915,787</u>	<u>72</u>	<u>3,915,859</u>
Change in net assets	455,504	(72)	455,432
Net assets, beginning	<u>4,321,718</u>	<u>(6,097)</u>	<u>4,315,621</u>
Net assets, ending	<u>\$ 4,777,222</u>	<u>\$ (6,169)</u>	<u>\$ 4,771,053</u>

See Independent Auditor's Report.