



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

**CONSOLIDATED FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
JANUARY 31, 2024**



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

**CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

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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, 2024, 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, 2024, 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 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2023, 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 22 and 23 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.

May 22, 2024

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

January 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 602,163	\$ 853,764
Investments (Note 4)	4,131,339	3,434,003
Accounts receivable	273	-
Prepaid expenses	8,601	16,642
Right of use assets, net (Note 10)	572,866	713,677
Leasehold improvements and equipment, net (Note 5)	1,428	4,304
Total assets	\$ 5,316,670	\$ 5,022,390
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 492	\$ 4,535
Due to ELCA	272,777	259,700
Accrued payroll and related expenses	21,840	19,240
Funds held for others	16,207	18,705
Lease liabilities (Note 10)	574,586	713,841
Total liabilities	885,902	1,016,021
Net assets:		
Without donor restrictions		
Designated (Note 7)	2,245,810	2,218,036
Undesignated	383,209	410,802
Total without donor restrictions	2,629,019	2,628,838
With donor restrictions (Note 8)	1,801,749	1,377,531
Total net assets	4,430,768	4,006,369
Total liabilities and net assets	\$ 5,316,670	\$ 5,022,390

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, 2024  
(With Comparative Totals for 2023)

	2024		Total	2023
	Without donor restrictions	With donor restrictions		
Support and revenue:				
Mission support from congregations	\$ 2,674,394	\$ -	\$ 2,674,394	\$ 2,725,116
Designated benevolence	268,540	4,237	272,777	311,624
Contributions	-	1,249,163	1,249,163	85,103
ELCA Stewardship grant	10,000	-	10,000	10,000
Donated services	1,575	-	1,575	819
Investment income (loss)	144,774	-	144,774	(60,407)
Miscellaneous	1,153	-	1,153	1,477
Net assets released from restrictions:				
Satisfaction of program and time restrictions	829,182	(829,182)	-	-
Total support and revenue	<u>3,929,618</u>	<u>424,218</u>	<u>4,353,836</u>	<u>3,073,732</u>
Expenses:				
Program services	3,781,667	-	3,781,667	3,442,711
General and administrative	344,019	-	344,019	342,458
Fundraising	81,920	-	81,920	53,247
Total expenses	<u>4,207,606</u>	<u>-</u>	<u>4,207,606</u>	<u>3,838,416</u>
Change in net assets before sale of property	(277,988)	424,218	146,230	(764,684)
Contribution from sale of St. Andrew's Church of East Bethel, net (Note 15)	278,169	-	278,169	-
Change in net assets	181	424,218	424,399	(764,684)
Net assets:				
Beginning of year	<u>2,628,838</u>	<u>1,377,531</u>	<u>4,006,369</u>	<u>4,771,053</u>
End of year	<u>\$ 2,629,019</u>	<u>\$ 1,801,749</u>	<u>\$ 4,430,768</u>	<u>\$ 4,006,369</u>

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, 2024  
(With Comparative Totals for 2023)

	2024				2023
	Program services	Management and general	Fundraising	Total	
Salaries	\$ 631,486	\$ 215,920	\$ 53,290	\$ 900,696	\$ 934,518
Payroll taxes	28,554	9,764	2,410	40,728	44,229
Employee benefits	144,016	49,243	12,153	205,412	239,970
<b>Total salaries and related</b>	<b>804,056</b>	<b>274,927</b>	<b>67,853</b>	<b>1,146,836</b>	<b>1,218,718</b>
<b>Ministries:</b>					
ELCA Mission Support	1,337,197	-	-	1,337,197	1,362,558
Other missions	1,218,936	-	-	1,218,936	744,049
Partnership Ministries	169,185	-	-	169,185	177,972
Congregational Support	21,660	-	-	21,660	24,051
Committee Expenses	9,389	-	-	9,389	6,184
Tables	4,032	-	-	4,032	2,697
	<u>2,760,399</u>	<u>-</u>	<u>-</u>	<u>2,760,399</u>	<u>2,317,511</u>
<b>Synod Assembly:</b>					
Catering/food	10,258	-	-	10,258	13,104
Facilities/services	29,537	-	-	29,537	12,911
Presenters	3,516	-	-	3,516	3,987
Other	7,208	-	-	7,208	5,442
	<u>50,519</u>	<u>-</u>	<u>-</u>	<u>50,519</u>	<u>35,444</u>
Lease expense	116,410	39,804	9,824	166,038	168,546
Office expenses	12,512	4,271	1,054	17,837	24,482
Communications	1,670	571	141	2,382	4,940
Professional fees	6,263	14,242	529	21,034	19,644
Travel	9,471	3,239	799	13,509	16,298
Conferences, dues & subscriptions	10,837	3,705	915	15,457	19,602
Insurance	2,767	947	234	3,948	4,151
Depreciation	2,016	690	170	2,876	3,045
Miscellaneous	4,747	1,623	401	6,771	6,035
<b>Total expenses</b>	<u><u>\$ 3,781,667</u></u>	<u><u>\$ 344,019</u></u>	<u><u>\$ 81,920</u></u>	<u><u>\$ 4,207,606</u></u>	<u><u>\$ 3,838,416</u></u>

See Accompanying Notes to Consolidated Financial Statements.



**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL  
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 424,399	\$ (764,684)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	2,876	3,045
Reduction of right of use assets	138,502	21,252
Realized and unrealized (gains) losses	(57,646)	116,563
Interest and dividends reinvested, net	(85,666)	(55,201)
Changes in operating assets and liabilities:		
Accounts receivable	(273)	-
Prepaid expenses	8,041	10,132
Accounts payable	(4,043)	1,293
Due to ELCA	13,077	66,679
Accrued payroll and expenses	2,600	825
Funds held for others	(2,498)	(1,839)
Lease liabilities	(132,569)	(16,989)
Net cash flows from operating activities	306,800	(618,924)
Cash flows from investing activities:		
Purchase of investments	(1,865,163)	-
Proceeds from sales of investments	1,311,139	312,165
Net cash flows from investing activities	(554,024)	312,165
Cash flows from financing activities:		
Payment of principal on finance leases	(4,377)	(4,099)
Net cash flows from financing activities	(4,377)	(4,099)
Net decrease in cash and cash equivalents	(251,601)	(310,858)
Cash and cash equivalents, beginning of year	853,764	1,164,622
Cash and cash equivalents, end of year	\$ 602,163	\$ 853,764

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, 2024  
(With Comparative Totals for 2023)

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, 2024  
(With Comparative Totals for 2023)

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 consolidated 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.

**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 lesser of the estimated useful lives of the assets or the lease term. 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.

**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.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Donated Services** – Donated services are recorded when the service creates or enhances a non-financial asset or the service requires specialized skills that would need to be purchased if not provided by donation.

**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 lease expense, office expenses, communications, professional fees, travel, conferences, dues & subscriptions, insurance, depreciation, and miscellaneous are allocated based on employee time and effort.

**Leases** - The Synod recognizes a right of use asset and a lease liability related to any operating or finance lease with an expected duration of one year or more. The right of use asset represents the Synod's right to use the leased asset over the term of the lease, initially measured as the sum of 1) the lease liability, 2) lease payments made at or prior to commencement of the lease, less incentives received, and 3) initial direct costs of the lease. The lease liability relates to the Synod's obligation to make lease payments as defined in the lease agreement, measured at its present value. Lease expense is recognized on the straight-line basis over the term of the lease. The Synod has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. For short-term leases with an expected duration of one year or less, the Synod has elected not to record a right of use asset and corresponding lease liability.

**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 2024 and 2023.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2023, from which the summarized information was derived.

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:

	2024	2023
Cash	\$ 602,163	\$ 853,764
Investments	4,131,339	3,434,003
Accounts receivable	273	-
 Total financial assets available within one year	 4,733,775	 4,287,767
 Less:		
Synod Council designated (Note 7)	(2,245,810)	(2,218,036)
Donor restricted (Note 8)	(1,801,749)	(1,377,531)
 Total financial assets available within one year after Synod Council designations and donor restrictions	 \$ 686,216	 \$ 692,200

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.

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.

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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, 2024  
(With Comparative Totals for 2023)

**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:

	<u>Fair Value</u>	<u>Fair Value Measurement at Reporting Date Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>January 31, 2024</b>				
Mutual funds	\$ 3,672,908	\$ 3,672,908	\$ -	\$ -
Beneficial interests in:				
ELCA Mission Investment Fund	401,397	-	401,397	-
Endowment investments:				
ELCA Endowment Fund A (See Note 9)	57,034	-	57,034	-
	<u>\$ 4,131,339</u>	<u>\$ 3,672,908</u>	<u>\$ 458,431</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Fair Value Measurement at Reporting Date Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>January 31, 2023</b>				
Mutual funds	\$ 2,065,935	\$ 2,065,935	\$ -	\$ -
Beneficial interests in:				
ELCA Mission Investment Fund	1,318,092	-	1,318,092	-
Endowment investments:				
ELCA Endowment Fund A (See Note 9)	49,976	-	49,976	-
	<u>\$ 3,434,003</u>	<u>\$ 2,065,935</u>	<u>1,368,068</u>	<u>\$ -</u>

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

**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:

	2024	2023	Estimated useful life - years
Office furniture and equipment	\$ 71,131	\$ 71,131	3 - 5
Leasehold improvements	84,720	84,720	3 - 5
Less accumulated depreciation	(154,423)	(151,547)	
	\$ 1,428	\$ 4,304	

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

**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, 2024. The variable interest rate is set by the lender plus 1.5% (10.0% at January 31, 2024), but will never be below 7.0% annually. There were no outstanding balances on the line of credit as of January 31, 2024 and 2023.

**7. DESIGNATED NET ASSETS**

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

	2024	2023
Resurrection fund	\$ 777,380	\$ 752,247
Victory Memorial fund	1,234,506	1,186,531
Operating reserves	72,124	72,124
Racial justice	29,089	76,594
ECO Faith	-	20,742
Mission endowment fund	57,034	49,976
Capital campaign	155	155
Peer group grants	1,683	2,147
Interim pastor support fund	19,439	21,987
Synod Assembly	27,997	7,336
Fixed asset reserve	24,951	19,068
Other	1,452	9,129
	\$ 2,245,810	\$ 2,218,036

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, 2024  
(With Comparative Totals for 2023)

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are for the following purposes:

	2024	2023
Synod vitality	\$ 6,698	\$ 6,698
Faith/neighboring practices	397,276	635,769
Faith and family	1,249,163	-
Lutheran University Nigeria	-	504,107
Elderly poor/world hunger	71,459	71,459
Inheritance fund	1,900	74,900
ECO Faith	36,140	36,140
Anchor Church	25,000	25,000
AMMPARO	7,456	7,456
Lutheran disaster response – COVID-19	5,368	10,000
Other	1,289	6,002
	\$ 1,801,749	\$ 1,377,531

Net assets with donor restrictions were released as follows:

	2024	2023
Economic justice	\$ -	\$ 235,739
Synod vitality	-	4,450
Faith/neighboring practices	238,863	207,044
Lutheran University Nigeria	505,307	50,000
Inheritance fund	73,000	135,100
Lutheran disaster response – COVID-19	4,632	-
Other	7,380	8,738
	\$ 829,182	\$ 641,071

(Continued)

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9. **ENDOWMENT**

The Synod has established an endowment fund administered by the ELCA Foundation. As of January 31, 2024, 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, 2024, follows:

	Without donor restrictions	With donor restrictions	Total
Synod designated:			
Mission Fund	\$ 57,034	\$ -	\$ 57,034

(Continued)

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9. **ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended January 31, 2024, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 49,976	\$ -	\$ 49,976
Investment return:			
Interest income	2,136	-	2,136
Net appreciation (realized and unrealized)	4,922	-	4,922
Total investment return	7,058	-	7,058
Investment withdrawals:	-	-	-
Endowment net assets, end of year	\$ 57,034	\$ -	\$ 57,034

**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 2024 or 2023.

(Continued)

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For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

**10. LEASES**

The Synod evaluates its contracts to determine which meet the criteria of a lease for accounting purposes. For contracts that are determined to be leases, the Synod records a right of use asset (ROU) representing the Synod's right to use the underlying asset for the lease term, and a lease liability representing the present value of the Synod's obligation to make the lease payments required under the lease.

The Synod entered into a 5-year lease agreement for office space ending December 31, 2022. FASB ASC 842 was not implemented for this lease as its remaining term at adoption of ASC 842 was less than one year. Rent expense and cash payments under FASB ASC 840 (pre-adoption of the new standard) under this lease totaled \$139,311 for the year ended January 1, 2023, which is included in operating lease expense below.

The Synod's current office lease began January 1, 2023, and expires December 31, 2027. This lease is an operating lease under FASB ASC 842. The Synod also leases various types of office equipment under multiple operating agreements that expire from January 2025 through August 2027. The weighted-average discount rate applied to calculate lease liabilities for operating leases was 3.9%.

Additionally, the Synod leases computers under multiple finance lease agreements. These agreements expired in February 2024. The weighted-average discount rate applied to calculate lease liabilities for finance leases was 1.7%.

Balance sheet amounts recorded for leases are as follows as of January 31:

	2024	2023
Right of use assets - operating leases	\$ 572,669	\$ 706,799
Right of use assets - finance leases	197	6,878
	\$ 572,866	\$ 713,677
Lease liability - operating leases	\$ 574,386	\$ 706,923
Lease liability - finance leases	200	6,918
	\$ 574,586	\$ 713,841

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

10. **LEASES (Continued)**

Lease expense for the years ended January 31 are:

	2024	2023
Finance leases expense:		
Amortization expense	\$ 4,354	\$ 4,139
Interest expense	38	116
Operating lease expense	158,668	162,315
Other lease expense	2,978	1,976
	\$ 166,038	\$ 168,546

The weighted-average remaining lease term (in years) is 3.9 for operating leases and 0.1 for finance leases at January 31, 2024. The weighted-average remaining lease term (in years) is 4.9 for operating leases and 1.7 for finance leases at January 31, 2023.

The following summarizes cash flow information related to leases for the years ended January 31:

	2024	2023
Operating cash flows:		
Operating leases	\$ 157,179	\$ 162,191
Finance leases	38	116
Financing cash flows:		
Finance leases	4,377	4,099

Future minimum rent payments for the years ending January 31 are:

	Operating	Finance
2025	\$ 158,395	\$ 200
2026	157,080	-
2027	159,366	-
2028	145,652	-
	620,493	200
Less: present value discount	(46,107)	(-)
	\$ 574,386	\$ 200

(Continued)

**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL  
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For the Year Ended January 31, 2024  
(With Comparative Totals for 2023)

**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 \$56,012 and \$61,058 during the years ended January 31, 2024 and 2023, 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, 2024. Accordingly, Southside Commons has not been consolidated with the Synod's financial statements.

The Synod does business with four 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 \$253,014 in 2024 and \$273,842 in 2023.

**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, 2024 and 2023, the Synod's uninsured cash balances total \$358,422 and \$647,743, respectively.

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

**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, 2024 and 2023, the Synod had \$1,613,131 and \$1,715,676 of conditional commitments, respectively.

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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, 2024  
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**15. ST. ANDREW'S CHURCH OF EAST BETHEL**

In 2024, the Synod became the administrator of St. Andrew's Church of East Bethel (St. Andrew's) building. After taking over as administrator, the Synod along with the Minneapolis Area Service Corporation (MASC) worked to facilitate the sale of the property. As administrator, the Synod was responsible for paying bills and other expenses of St. Andrew's up until the sale, however the Synod nor MASC never held ownership of the building.

On June 29, 2023, the property was sold at a price of \$600,000. The sales proceeds were used to repay loans and other expenses owed or pledged by St. Andrew's totaling \$345,155. MASC also received St. Andrew's remaining cash balance totaling \$23,324 at the time of the sale upon its dissolution. This resulted in a net contribution to MASC of \$278,169.

**16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 22, 2024, 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, 2024

	Minneapolis Area Synod	Minneapolis Area Service Corporation	Total	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 589,568	\$ 12,595	\$ 602,163	\$ -	\$ 602,163
Investments (Note 4)	4,131,339	-	4,131,339	-	4,131,339
Due from Minneapolis Area Service Corporation	10,633	-	10,633	(10,633)	-
Prepaid expenses	8,601	-	8,601	-	8,601
Right of use assets, net (Note 10)	572,866	-	572,866	-	572,866
Leasehold improvements and equipment, net (Note 5)	1,428	-	1,428	-	1,428
<b>Total assets</b>	<b>\$ 5,314,708</b>	<b>\$ 12,595</b>	<b>\$ 5,327,303</b>	<b>\$ (10,633)</b>	<b>\$ 5,316,670</b>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 492	\$ -	\$ 492	\$ -	\$ 492
Due to ELCA	272,777	-	272,777	-	272,777
Accrued payroll and related expenses	21,840	-	21,840	-	21,840
Funds held for others	16,207	-	16,207	-	16,207
Lease liabilities (Note 10)	574,586	-	574,586	-	574,586
Due to Minneapolis Area Synod	-	10,633	10,633	(10,633)	-
<b>Total liabilities</b>	<b>885,902</b>	<b>10,633</b>	<b>896,535</b>	<b>(10,633)</b>	<b>885,902</b>
Net assets:					
Without donor restrictions					
Designated (Note 7)	2,245,810	-	2,245,810	-	2,245,810
Undesignated	381,247	1,962	383,209	-	383,209
Total without donor restrictions	2,627,057	1,962	2,629,019	-	2,629,019
With donor restrictions (Note 8)	1,801,749	-	1,801,749	-	1,801,749
<b>Total net assets</b>	<b>4,428,806</b>	<b>1,962</b>	<b>4,430,768</b>	<b>-</b>	<b>4,430,768</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,314,708</b>	<b>\$ 12,595</b>	<b>\$ 5,327,303</b>	<b>\$ (10,633)</b>	<b>\$ 5,316,670</b>

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, 2024

	<u>Minneapolis Area Synod</u>	<u>Minneapolis Area Service Corporation</u>	<u>Total</u>
Support and revenue:			
Mission support from congregations	\$ 2,674,394	\$ -	\$ 2,674,394
Designated benevolence	272,777	-	272,777
Contributions	1,249,163	-	1,249,163
ELCA Stewardship grant	10,000	-	10,000
Donated services	1,575	-	1,575
Investment loss	144,774	-	144,774
Miscellaneous	1,153	-	1,153
	<u>4,353,836</u>	<u>-</u>	<u>4,353,836</u>
Total support and revenue			
Expenses:			
Program services	3,781,647	20	3,781,667
General and administrative	344,019	-	344,019
Fundraising	81,920	-	81,920
	<u>4,207,586</u>	<u>20</u>	<u>4,207,606</u>
Total expenses			
Change in net assets before sales proceeds and transfers	146,250	(20)	146,230
Contribution from sale of St. Andrew Lutheran Church of East Bethel, net	-	278,169	278,169
Transfer	270,000	(270,000)	-
	<u>416,250</u>	<u>8,149</u>	<u>424,399</u>
Change in net assets			
Net assets, beginning	<u>4,012,556</u>	<u>(6,187)</u>	<u>4,006,369</u>
Net assets, ending	<u>\$ 4,428,806</u>	<u>\$ 1,962</u>	<u>\$ 4,430,768</u>

See Independent Auditor's Report.