



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

**CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JANUARY 31, 2025**

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

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2025
(With Comparative Totals for 2024)

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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, 2025, 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, 2025, 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 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2024, 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.

Mahoney Ulbrich
Christiansen & Russ, PA

May 15, 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

January 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 840,250	\$ 602,163
Investments (Note 4)	4,541,608	4,074,305
Accounts receivable	5,717	273
Prepaid expenses	3,671	8,601
Right of use assets, net (Note 10)	432,798	572,866
Leasehold improvements and equipment, net (Note 5)	-	1,428
Endowment - investments (Note 9)	<u>64,964</u>	<u>57,034</u>
 Total assets	 <u><u>\$ 5,889,008</u></u>	 <u><u>\$ 5,316,670</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 2,425	\$ 492
Due to ELCA	282,604	272,777
Accrued payroll and related expenses	67,627	21,840
Funds held for others	32,173	16,207
Lease liabilities (Note 10)	<u>435,975</u>	<u>574,586</u>
 Total liabilities	 <u>820,804</u>	 <u>885,902</u>
Net assets:		
Without donor restrictions		
Designated (Note 7)	3,097,295	2,245,810
Undesignated	<u>339,131</u>	<u>383,209</u>
Total without donor restrictions	<u>3,436,426</u>	<u>2,629,019</u>
With donor restrictions (Note 8)	<u>1,631,778</u>	<u>1,801,749</u>
 Total net assets	 <u>5,068,204</u>	 <u>4,430,768</u>
 Total liabilities and net assets	 <u><u>\$ 5,889,008</u></u>	 <u><u>\$ 5,316,670</u></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, 2025
(With Comparative Totals for 2024)

	2025			
	Without donor restrictions	With donor restrictions	Total	2024
Support and revenue:				
Mission support from congregations	\$ 2,671,031	\$ -	\$ 2,671,031	\$ 2,674,394
Designated benevolence	1,167,255	20,597	1,187,852	272,777
Contributions	-	14,390	14,390	1,249,163
ELCA Stewardship grant	10,000	-	10,000	10,000
Donated services	12,970	-	12,970	1,575
Investment income	282,277	-	282,277	144,774
Employee retention credit	51,278	-	51,278	-
Miscellaneous	6,097	-	6,097	1,153
Net assets released from restrictions:				
Satisfaction of program and time restrictions	204,958	(204,958)	-	-
Total support and revenue	<u>4,405,866</u>	<u>(169,971)</u>	<u>4,235,895</u>	<u>4,353,836</u>
Expenses:				
Program services	3,085,440	-	3,085,440	3,781,667
General and administrative	444,351	-	444,351	344,019
Fundraising	68,668	-	68,668	81,920
Total expenses	<u>3,598,459</u>	<u>-</u>	<u>3,598,459</u>	<u>4,207,606</u>
Change in net assets before sale of property	807,407	(169,971)	637,436	146,230
Contribution from sale of St. Andrew's Church of East Bethel, net (Note 15)	-	-	-	278,169
Change in net assets	807,407	(169,971)	637,436	424,399
Net assets:				
Beginning of year	<u>2,629,019</u>	<u>1,801,749</u>	<u>4,430,768</u>	<u>4,006,369</u>
End of year	<u>\$ 3,436,426</u>	<u>\$ 1,631,778</u>	<u>\$ 5,068,204</u>	<u>\$ 4,430,768</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, 2025
(With Comparative Totals for 2024)

	2025				2024
	Program services	Management and general	Fundraising	Total	
Salaries	\$ 613,329	\$ 253,613	\$ 45,107	\$ 912,049	\$ 900,696
Payroll taxes	28,922	11,959	2,127	43,008	40,728
Employee benefits	119,353	49,353	8,778	177,484	205,412
Total salaries and related	761,604	314,925	56,012	1,132,541	1,146,836
Ministries:					
ELCA Mission Support	1,335,515	-	-	1,335,515	1,337,197
Other missions	516,831	-	-	516,831	1,218,936
Partnership Ministries	166,066	-	-	166,066	172,545
Congregational Support	15,813	-	-	15,813	18,300
Committee Expenses	10,791	-	-	10,791	13,421
	2,045,016	-	-	2,045,016	2,760,399
Synod Assembly/Bishop Transition:					
Catering/food	47,945	14,625	-	62,570	10,258
Facilities/services	48,171	23,010	-	71,181	29,537
Presenters	-	-	-	-	3,516
Other	10,636	7,942	-	18,578	7,208
	106,752	45,577	-	152,329	50,519
Lease expense	108,149	44,720	7,954	160,823	166,038
Office expenses	11,683	4,829	859	17,371	17,837
Communications	3,993	1,651	294	5,938	2,382
Professional fees	18,860	20,499	1,387	40,746	21,034
Travel	11,065	4,575	814	16,454	13,509
Conferences, dues & subscriptions	13,308	5,503	979	19,790	15,457
Insurance	2,753	1,139	203	4,095	3,948
Depreciation	960	397	71	1,428	2,876
Miscellaneous	1,297	536	95	1,928	6,771
Total expenses	<u>\$ 3,085,440</u>	<u>\$ 444,351</u>	<u>\$ 68,668</u>	<u>\$ 3,598,459</u>	<u>\$ 4,207,606</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, 2025

With Comparative Totals for 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 637,436	\$ 424,399
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	1,428	2,876
Reduction of right of use assets	140,068	138,502
Realized and unrealized gains	(95,343)	(57,646)
Interest and dividends reinvested, net	(185,890)	(85,666)
Changes in operating assets and liabilities:		
Accounts receivable	(5,444)	(273)
Prepaid expenses	4,930	8,041
Accounts payable	1,933	(4,043)
Due to ELCA	9,827	13,077
Accrued payroll and expenses	45,787	2,600
Funds held for others	15,966	(2,498)
Lease liabilities	(138,411)	(132,569)
Net cash flows from operating activities	<u>432,287</u>	<u>306,800</u>
Cash flows from investing activities:		
Purchase of investments	(600,000)	(1,865,163)
Proceeds from sales of investments	406,000	1,311,139
Net cash flows from investing activities	<u>(194,000)</u>	<u>(554,024)</u>
Cash flows from financing activities:		
Payment of principal on finance leases	(200)	(4,377)
Net cash flows from financing activities	<u>(200)</u>	<u>(4,377)</u>
Net increase (decrease) in cash and cash equivalents	238,087	(251,601)
Cash and cash equivalents, beginning of year	<u>602,163</u>	<u>853,764</u>
Cash and cash equivalents, end of year	<u>\$ 840,250</u>	<u>\$ 602,163</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, 2025
(With Comparative Totals for 2024)

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
LUTHERAN CHURCH IN AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2025
(With Comparative Totals for 2024)

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.

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.

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.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2025 and 2024.

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, 2024, from which the summarized information was derived.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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:

	2025	2024
Cash	\$ 840,250	\$ 602,163
Investments	4,541,608	4,074,305
Accounts receivable	5,717	273
Endowment - investments	64,964	57,034
Total financial assets available within one year	5,452,539	4,733,775
Less:		
Synod Council designated (Note 7)	(3,097,295)	(2,245,810)
Donor restricted (Note 8)	(1,631,778)	(1,801,749)
Total financial assets available within one year after Synod Council designations and donor restrictions	<u>\$ 723,466</u>	<u>\$ 686,216</u>

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, 2025
(With Comparative Totals for 2024)

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, 2025				
Mutual funds	\$ 2,443,686	\$ 2,443,686	\$ -	\$ -
Certificates of deposits	1,684,178	-	1,684,178	-
Beneficial interests in:				
ELCA Mission Investment Fund	413,744	-	413,744	-
Endowment investments:				
ELCA Endowment Fund A (See Note 9)	64,964	-	64,964	-
	<u>\$ 4,606,572</u>	<u>\$ 2,443,686</u>	<u>\$ 2,162,886</u>	<u>\$ -</u>

	Fair Value	Fair Value Measurement at Reporting Date Using:		
		Level 1	Level 2	Level 3
January 31, 2024				
Mutual funds	\$ 2,758,612	\$ 2,758,612	\$ -	\$ -
Certificates of deposits	914,296	-	914,296	-
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>\$ 2,758,612</u>	<u>\$ 1,372,727</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, 2025
(With Comparative Totals for 2024)

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:

	2025	2024	Estimated useful life - years
Office furniture and equipment	\$ 69,471	\$ 71,131	3 - 5
Leasehold improvements	84,720	84,720	3 - 5
Less accumulated depreciation	<u>(154,191)</u>	<u>(154,423)</u>	
	<u>\$ -</u>	<u>\$ 1,428</u>	

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended January 31, 2025
(With Comparative Totals for 2024)

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, 2026. The variable interest rate is set by the lender plus 1.5% (10.0% at January 31, 2025), but will never be below 7.0% annually. There were no outstanding balances on the line of credit as of January 31, 2025 and 2024.

7. DESIGNATED NET ASSETS

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

	2025	2024
Resurrection fund	\$ 1,302,607	\$ 777,380
Victory Memorial fund	1,386,538	1,234,506
Operating reserves	72,124	72,124
Racial justice	8,162	29,089
Congregational support	42,091	-
Mission endowment fund	64,964	57,034
Capital campaign	-	155
Peer group grants	-	1,683
Interim pastor support fund	-	19,439
Pastor/leadership support	22,483	-
St. Olaf Church	42,871	-
Faith/neighboring practices matching	26,000	-
Synod Assembly	10,083	27,997
Synod events	23,750	-
Fixed asset reserve	31,832	24,951
Bishop's discretionary	45,000	22
Bishop transition reserve	18,790	-
Other	-	1,430
	<u>\$ 3,097,295</u>	<u>\$ 2,245,810</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, 2025
(With Comparative Totals for 2024)

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are for the following purposes:

	2025	2024
Faith/neighboring practices	\$ 199,593	\$ 397,276
Faith and family	1,247,945	1,249,163
Elderly poor/world hunger	71,459	71,459
Inheritance fund	-	1,900
ECO Faith	36,140	36,140
Congregational support	34,295	37,066
Leipzig global mission	20,500	-
Collaborative discernment	14,390	-
AMMPARO	7,456	7,456
Other	-	1,289
	<u>\$ 1,631,778</u>	<u>\$ 1,801,749</u>

Net assets with donor restrictions were released as follows:

	2025	2024
Faith/neighboring practices	\$ 197,683	\$ 238,863
Faith and family	1,218	-
Lutheran University Nigeria	-	505,307
Inheritance fund	1,900	73,000
Lutheran disaster response – COVID-19	-	4,632
Congregational support	2,771	-
Other	1,386	7,380
	<u>\$ 204,958</u>	<u>\$ 829,182</u>

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9. ENDOWMENT

The Synod has established an endowment fund administered by the ELCA Foundation. As of January 31, 2025, 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, 2025, follows:

	Without donor restrictions	With donor restrictions	Total
Synod designated:			
Mission Fund	\$ 64,964	\$ -	\$ 64,964

(Continued)

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9. **ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended January 31 2025, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 57,034	\$ -	\$ 57,034
Investment return:			
Interest income	2,306	-	2,306
Net appreciation (realized and unrealized)	5,624	-	5,624
Total investment return	7,930	-	7,930
Investment withdrawals:	-	-	-
Endowment net assets, end of year	\$ 64,964	\$ -	\$ 64,964

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 2025 or 2024.

(Continued)

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

For the Year Ended January 31, 2025
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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's current office lease began January 1, 2023, and expires December 31, 2027. This lease is considered an operating lease. 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 leased 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:

	2025	2024
Right of use assets - operating leases	\$ 432,798	\$ 572,669
Right of use assets - finance leases	-	197
	<u>\$ 432,798</u>	<u>\$ 572,866</u>
Lease liability - operating leases	\$ 435,975	\$ 574,386
Lease liability - finance leases	-	200
	<u>\$ 435,975</u>	<u>\$ 574,586</u>

Lease expense for the years ended January 31 are:

	2025	2024
Finance leases expense:		
Amortization expense	\$ 197	\$ 4,354
Interest expense	-	38
Operating lease expense	158,953	158,668
Other lease expense	1,673	2,978
	<u>\$ 160,823</u>	<u>\$ 166,038</u>

(Continued)

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

For the Year Ended January 31, 2025
(With Comparative Totals for 2024)

10. LEASES (Continued)

The weighted-average remaining lease term (in years) is 2.9 for operating leases and 0 for finance leases at January 31, 2025. 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 following summarizes cash flow information related to leases for the years ended January 31:

	2025	2024
Operating cash flows:		
Operating leases	\$ 157,464	\$ 157,179
Finance leases	-	38
Financing cash flows:		
Finance leases	200	4,377

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

2026	\$ 157,080
2027	159,366
2028	145,652
	462,098
Less: present value discount	(26,123)
	<u>\$ 435,975</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 \$55,688 and \$56,012 during the years ended January 31, 2025 and 2024, respectively.

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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, 2025. Accordingly, Southside Commons has not been consolidated with the Synod's financial statements.

The Synod does business with two 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 \$224,394 in 2025 and \$253,014 in 2024.

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, 2025 and 2024, the Synod's uninsured cash balances total \$588,317 and \$358,422, 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, 2025 and 2024, the Synod had \$1,374,417 and \$1,613,131 of conditional commitments, respectively.

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.

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**MINNEAPOLIS AREA SYNOD OF THE EVANGELICAL
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For the Year Ended January 31, 2025
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16. EMPLOYEE RETENTION CREDIT

The Synod has filed for an Employee Retention Credit (ERC). The ERC is a refundable credit created by the federal government in response to the COVID-19 pandemic. Eligible employers can claim a credit for payroll taxes paid on qualified wages. In 2025, the Synod has recorded an ERC of \$51,278.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2025, 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, 2025

	Minneapolis Area Synod	Minneapolis Area Service Corporation	Total	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 827,660	\$ 12,590	\$ 840,250	\$ -	\$ 840,250
Investments (Note 4)	4,541,608	-	4,541,608	-	4,541,608
Accounts receivable	5,717	-	5,717	-	5,717
Due from Minneapolis Area Service Corporation	10,633	-	10,633	(10,633)	-
Prepaid expenses	3,671	-	3,671	-	3,671
Right of use assets, net (Note 10)	432,798	-	432,798	-	432,798
Endowment - investments (Note 9)	64,964	-	64,964	-	64,964
Total assets	<u>\$ 5,887,051</u>	<u>\$ 12,590</u>	<u>\$ 5,899,641</u>	<u>\$ (10,633)</u>	<u>\$ 5,889,008</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 2,425	\$ -	\$ 2,425	\$ -	\$ 2,425
Due to ELCA	282,604	-	282,604	-	282,604
Accrued payroll and related expenses	67,627	-	67,627	-	67,627
Funds held for others	32,173	-	32,173	-	32,173
Lease liabilities (Note 10)	435,975	-	435,975	-	435,975
Due to Minneapolis Area Synod	-	10,633	10,633	(10,633)	-
Total liabilities	<u>820,804</u>	<u>10,633</u>	<u>831,437</u>	<u>(10,633)</u>	<u>820,804</u>
Net assets:					
Without donor restrictions					
Designated (Note 7)	3,097,295	-	3,097,295	-	3,097,295
Undesignated	337,174	1,957	339,131	-	339,131
Total without donor restrictions	3,434,469	1,957	3,436,426	-	3,436,426
With donor restrictions (Note 8)	1,631,778	-	1,631,778	-	1,631,778
Total net assets	<u>5,066,247</u>	<u>1,957</u>	<u>5,068,204</u>	<u>-</u>	<u>5,068,204</u>
Total liabilities and net assets	<u>\$ 5,887,051</u>	<u>\$ 12,590</u>	<u>\$ 5,899,641</u>	<u>\$ (10,633)</u>	<u>\$ 5,889,008</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, 2025

	Minneapolis Area Synod	Minneapolis Area Service Corporation	Total
Support and revenue:			
Mission support from congregations	\$ 2,671,031	\$ -	\$ 2,671,031
Designated benevolence	1,187,852	-	1,187,852
Contributions	14,390	-	14,390
ELCA Stewardship grant	10,000	-	10,000
Donated services	12,970	-	12,970
Investment gain	282,277	-	282,277
Employee retention credit	51,278	-	51,278
Miscellaneous	6,097	-	6,097
Total support and revenue	<u>4,235,895</u>	<u>-</u>	<u>4,235,895</u>
Expenses:			
Program services	3,085,435	5	3,085,440
General and administrative	444,351	-	444,351
Fundraising	68,668	-	68,668
Total expenses	<u>3,598,454</u>	<u>5</u>	<u>3,598,459</u>
Change in net assets	637,441	(5)	637,436
Net assets, beginning	<u>4,428,806</u>	<u>1,962</u>	<u>4,430,768</u>
Net assets, ending	<u><u>\$ 5,066,247</u></u>	<u><u>\$ 1,957</u></u>	<u><u>\$ 5,068,204</u></u>

See Independent Auditor's Report.