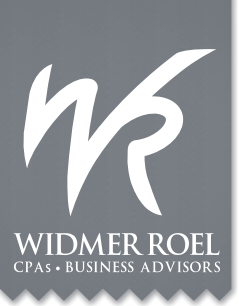


**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**FINANCIAL STATEMENTS  
JANUARY 31, 2022 AND 2021**

**WITH INDEPENDENT AUDITOR'S REPORT**



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## INDEPENDENT AUDITOR'S REPORT

The Synod Executive Committee  
**Northwestern Minnesota Synod of the Evangelical Lutheran Church in America**  
Moorhead, Minnesota

### *Opinion*

We have audited the financial statements of **Northwestern Minnesota Synod of the Evangelical Lutheran Church in America** (a non-profit corporation), which comprise the statements of financial position as of January 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Northwestern Minnesota Synod of the Evangelical Lutheran Church in America** as of January 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Northwestern Minnesota Synod of the Evangelical Lutheran Church in America** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Northwestern Minnesota Synod of the Evangelical Lutheran Church in America's** ability to continue as a going concern for one year after the date that the financial statements are issued.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Northwestern Minnesota Synod of the Evangelical Lutheran Church in America's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Northwestern Minnesota Synod of the Evangelical Lutheran Church in America'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.

### *Other Matter*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activity for donor restricted net assets for a specific purpose and the schedule of partners in ministry support are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Fargo, North Dakota  
May 2, 2022

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF FINANCIAL POSITION  
JANUARY 31, 2022 AND 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, without donor restrictions	\$ 455,642	\$ 523,127
Cash and cash equivalents, with donor restrictions	<u>338,856</u>	<u>111,302</u>
Total current assets	794,498	634,429
<b>INVESTMENTS, net</b>	249,977	228,439
<b>PROPERTY AND EQUIPMENT, net</b>	<u>26,307</u>	<u>35,592</u>
Total assets	\$ <u><u>1,070,782</u></u>	\$ <u><u>898,460</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 6,778	\$ 6,500
Accounts payable	725	10,024
Accrued expenses	95,657	105,618
Donor pass through payables	<u>56,380</u>	<u>54,934</u>
Total current liabilities	159,540	177,076
<b>LONG-TERM DEBT, less current maturities</b>	<u>21,471</u>	<u>28,249</u>
Total liabilities	<u>181,011</u>	<u>205,325</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	164,975	157,661
Synod designated	293,849	277,810
With donor restrictions	<u>430,947</u>	<u>257,664</u>
Total net assets	<u>889,771</u>	<u>693,135</u>
Total liabilities and net assets	\$ <u><u>1,070,782</u></u>	\$ <u><u>898,460</u></u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JANUARY 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Mission support	\$ 1,351,710	\$ -	\$ 1,351,710
Synod support	13,542	-	13,542
Contributions	-	288,950	288,950
Grants	33,124	-	33,124
Net investment return	10,604	8,576	19,180
Events			
Synod assembly	37,419	-	37,419
Theology for mission conference	18,732	-	18,732
First call theological education	7,518	-	7,518
Other events	5,029	-	5,029
Designated support	12,610	-	12,610
Miscellaneous income	265	-	265
Net assets released from restrictions	<u>124,243</u>	<u>(124,243)</u>	<u>-</u>
 Total revenue and support	 <u>1,614,796</u>	 <u>173,283</u>	 <u>1,788,079</u>
<b>EXPENSES</b>			
Program services expense			
Broader Church and Evangelical Outreach	887,478	-	887,478
Leadership Development	250,090	-	250,090
Congregational Vitality	86,618	-	86,618
Synod Governance and Vitality	157,899	-	157,899
Management and general	<u>209,358</u>	<u>-</u>	<u>209,358</u>
 Total expenses	 <u>1,591,443</u>	 <u>-</u>	 <u>1,591,443</u>
 <b>CHANGE IN NET ASSETS</b>	 23,353	 173,283	 196,636
 <b>NET ASSETS, Beginning of year</b>	 <u>435,471</u>	 <u>257,664</u>	 <u>693,135</u>
 <b>NET ASSETS, End of year</b>	 <u>\$ 458,824</u>	 <u>\$ 430,947</u>	 <u>\$ 889,771</u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JANUARY 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Mission support	\$ 1,367,456	\$ -	\$ 1,367,456
Synod support	12,802	-	12,802
Contributions	-	171,557	171,557
Grants	10,000	-	10,000
Net investment return	14,336	10,056	24,392
Events			
Theology for mission conference	2,703	-	2,703
First call theological education	180	-	180
Other events	5,081	-	5,081
Lutheran Youth Organization	2	-	2
Designated support	15,538	-	15,538
Paycheck protection program	65,000	-	65,000
Net assets released from restrictions	<u>114,795</u>	<u>(114,795)</u>	<u>-</u>
 Total revenue and support	 <u>1,607,893</u>	 <u>66,818</u>	 <u>1,674,711</u>
<b>EXPENSES</b>			
Program services expense			
Broader Church and Evangelical Outreach	836,134	-	836,134
Leadership Development	258,418	-	258,418
Congregational Vitality	70,112	-	70,112
Synod Governance and Vitality	144,083	-	144,083
Management and general	<u>198,126</u>	<u>-</u>	<u>198,126</u>
 Total expenses	 <u>1,506,873</u>	 <u>-</u>	 <u>1,506,873</u>
 <b>CHANGE IN NET ASSETS</b>	 101,020	 66,818	 167,838
 <b>NET ASSETS, Beginning of year</b>	 <u>334,451</u>	 <u>190,846</u>	 <u>525,297</u>
 <b>NET ASSETS, End of year</b>	 <u>\$ 435,471</u>	 <u>\$ 257,664</u>	 <u>\$ 693,135</u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 31, 2022**

	Program					Total
	Broader Church & Evangelical Outreach	Leadership Development	Congregational Vitality	Synod Governance & Vitality	Management and General	
Salaries	\$ 17,606	\$ 55,752	\$ 38,146	\$ 85,095	\$ 96,833	\$ 293,432
Benefits	10,641	33,697	23,056	51,433	58,527	177,354
Boards and committees	-	615	-	1,141	-	1,756
Candidacy background checks and psych evaluations	-	3,836	-	-	-	3,836
Cohort ministries	7,563	-	-	-	-	7,563
Contract for services gift planner	5,000	-	-	5,000	-	10,000
Depreciation	-	-	-	-	9,285	9,285
ELCA churchwide mission support	635,304	-	-	-	-	635,304
Equipment/maintenance	2,660	2,660	2,660	2,660	2,660	13,300
Evangelism	115,075	-	-	-	-	115,075
Event expenses						
Clergy spouses retreat	-	568	568	-	-	1,136
Great Synod get together	20	-	-	-	-	20
First call colleague program and theological education	-	4,520	1,507	-	-	6,027
Health and wellness	-	45	-	45	-	90
Insurance	1,202	1,202	1,202	1,202	1,202	6,010
Interest expense	-	-	-	-	1,335	1,335
Legal and audit services	-	-	-	-	27,078	27,078
Lutheran Youth Organization	14	28	14	-	-	56
Ministries, missions and other services	24,770	-	-	-	-	24,770
Occupancy	3,412	3,412	3,412	3,412	3,412	17,060
Partners in ministry	40,673	122,018	-	-	-	162,691
Postage and shipping	910	910	910	910	-	3,640
Staff travel	2,370	4,740	2,370	-	-	9,480
Subscriptions and publications	2,464	2,464	2,464	2,464	2,464	12,320
Supplies and materials	-	-	-	-	3,692	3,692
Synod assembly	2,870	2,870	2,870	2,870	2,870	14,350
Synod designated disbursements	13,257	3,314	-	-	-	16,571
Telephone	1,667	1,667	1,667	1,667	-	6,668
Theology for ministry conference	-	5,772	5,772	-	-	11,544
Total expenses by function	\$ <u>887,478</u>	\$ <u>250,090</u>	\$ <u>86,618</u>	\$ <u>157,899</u>	\$ <u>209,358</u>	\$ <u>1,591,443</u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 31, 2021**

	Program					Total
	Broader Church & Evangelical Outreach	Leadership Development	Congregational Vitality	Synod Governance & Vitality	Management and General	
Salaries	\$ 15,691	\$ 47,073	\$ 31,382	\$ 78,455	\$ 88,916	\$ 261,517
Benefits	10,000	30,000	20,000	50,000	56,666	166,666
Boards and committees	-	930	-	1,726	-	2,656
Candidacy background checks	-	2,340	-	-	-	2,340
Candidacy psych evaluations	-	11,383	-	-	-	11,383
Contract for services gift planner	2,500	-	-	2,500	-	5,000
Depreciation	-	-	-	-	9,285	9,285
ELCA churchwide mission support	642,704	-	-	-	-	642,704
Equipment/maintenance	2,811	2,811	2,811	2,811	2,811	14,055
Evangelism	93,571	-	-	-	-	93,571
Event expenses						
Coach training	-	500	500	-	-	1,000
Equipping congregations	-	-	1,651	-	-	1,651
First call colleague program	-	1,725	575	-	-	2,300
First call theological education	-	233	78	-	-	311
Insurance	1,380	1,380	1,380	1,380	1,380	6,900
Interest expense	-	-	-	-	1,602	1,602
Legal and audit services	-	-	-	-	28,268	28,268
Lutheran Youth Organization	464	928	464	-	-	1,856
Occupancy	3,412	3,412	3,412	3,412	3,412	17,060
Partners in ministry	38,155	114,465	-	-	-	152,620
Postage and shipping	1,376	1,376	1,376	1,376	-	5,504
Staff travel	1,022	2,045	1,022	-	-	4,089
Subscriptions and publications	1,028	1,028	1,028	1,028	1,028	5,140
Supplies and materials	-	-	-	-	4,613	4,613
Sustaining rural ministries	-	27,200	-	-	-	27,200
Synod assembly	145	145	145	145	145	725
Synod designated disbursements	20,625	5,156	-	-	-	25,781
Telephone	1,250	1,250	1,250	1,250	-	5,000
Theology for ministry conference	-	3,038	3,038	-	-	6,076
Total expenses by function	<u>\$ 836,134</u>	<u>\$ 258,418</u>	<u>\$ 70,112</u>	<u>\$ 144,083</u>	<u>\$ 198,126</u>	<u>\$ 1,506,873</u>



**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 196,636	\$ 167,838
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,285	9,285
Net investment return	(19,180)	(24,392)
Changes in assets and liabilities		
Accounts payable	(9,299)	806
Accrued expenses	(9,961)	(2,576)
Donor pass through payables	1,446	15,835
	<u>168,927</u>	<u>166,796</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(11,129)	(8,739)
Proceeds from the sale of investments	8,771	13,737
	<u>(2,358)</u>	<u>4,998</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of long-term debt	(6,500)	(6,234)
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	160,069	165,560
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, Beginning of year</b>	<u>634,429</u>	<u>468,869</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, End of year</b>	\$ <u><u>794,498</u></u>	\$ <u><u>634,429</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ <u><u>1,335</u></u>	\$ <u><u>1,602</u></u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

Northwestern Minnesota Synod of the Evangelical Lutheran Church in America (“Synod”), in partnership with the church-wide organization, bears responsibility for the oversight of the life and mission of this church in the territory of this Synod, which is the northwest section of the state of Minnesota. The Synod area includes 230 congregations. The Synod operates under the bylaws, policies and regulations of the Evangelical Lutheran Church in America (“ELCA”). The Synod, at times, is exposed to the risks associated with the economy of the geographical area due to the support from congregations in the limited geographic area.

*Basis of Accounting*

The financial statements of the Synod have been prepared on the accrual basis. The significant accounting policies by the Synod are described below to enhance the usefulness of the financial statements to the reader. The Synod is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Basis of Presentation*

The financial statements of the Synod have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Synod to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Synod management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Synod or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

*Cash, Cash Equivalents, and Restricted Cash*

For the purposes of the statements of cash flows, the Synod considers all highly liquid investment accounts with a maturity of three months or less to be cash equivalents.

Restricted cash is considered to be all funds held by the Synod that are restricted by the donor for a specific purpose.

*Concentration of Credit Risk*

The Synod maintains cash balances at certain financial institutions. The accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”). At January 31, 2022 and 2021, the Organization’s uninsured cash balance totaled \$524,085 and \$394,016, respectively.

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

The Synod also maintains cash balances with the Mission Investment Fund. Accounts at this institution are not insured by the FDIC.

***Investments***

The Synod's investments consist of money market investments with the Mission Investment Fund of the ELCA ("MIF") as well as an ELCA pooled investment fund. The funds held with MIF are used to provide financing or refinancing for buildings and site acquisitions to congregations, organizations, and institutions that are related to the ELCA. Ordinary income from the ELCA pooled investment fund is accounted for in net assets with donor restrictions and net assets without donor restrictions based on the percent of the Synod's investment balance that is donor restricted. Investment fees in the ELCA pooled investment fund is charged from the change in market value. The investments are not insured by the FDIC, Securities Investor Protection Corporation ("SIPC") or any other federal or state regulatory agency.

***Property and Equipment***

Property and equipment are stated at cost. Donated equipment is valued at estimated cost at the time of the donation. It is the policy of the Synod to provide depreciation based on the useful life of the assets, using the straight-line method. The estimated useful life of the assets ranges from 5 to 40 years. The Synod's policy is to capitalize any purchase determined to be property or equipment over \$2,000 and with useful lives greater than three years.

***Sweep Agreement***

The Synod has entered into a checking account sweep agreement with a financial institution. The agreement provides for the financial institution to make daily automatic fund transfers between the checking account and savings account.

***Donor Pass Through Payables***

The donor pass through payables account represents contributions collected and held at the end of the year for other organizations and missions. The Synod's policy is to recognize the contributions received and deposited as a liability until paid to the beneficiaries. Donor pass through payables are remitted to the ELCA on a monthly basis.

***Revenue Recognition***

The Synod's primary source of revenue is from contributions. Due to contributions being both voluntary and nonreciprocal, they do not fall under ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". However, revenue recognized in the form of event registration is subject to special consideration under Topic 606. The Synod has analyzed the provisions of Topic 606, including the five-step approach to evaluating contracts, and has concluded that no changes are necessary to conform with the new standard. Revenue for such events is recognized at a point in time when the event has occurred. Additionally, there is no registration revenue at year end January 31, 2022 and 2021 which has not been earned.

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

***Contributions***

Contributions are recognized when the donor makes a promise to give to the Synod that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

***Income Taxes***

The latest determination letter issued by the Internal Revenue Service indicates the Northwestern Minnesota Synod of the Evangelical Lutheran Church in America is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code, as a religious organization, and therefore no provision is made for federal and state income taxes.

***Sabbatical Leave***

The sabbatical leave policy states, for those employees for whom it can be demonstrated that the leave will increase their value to the Synod, sabbatical leave may be requested. Approval is required by the Bishop and Executive Committee. For non-rostered employees, leave can range from one to three months and may be requested after six years of service. Upon completion of leave the employee shall be committed to a minimum of one year of full-time employment. Rostered employees are encouraged to take a minimum of one to three months every five to seven years.

***Functional Expenses***

Functional expenses have been allocated between one or more programs and supporting functions based on an analysis of effort and space utilized, payroll and benefits are allocated based on estimated personnel time devoted to various activities. In fiscal years 2022 and 2021, there were no fundraising expenses.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liability 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.

***Reclassifications***

Certain amounts in the January 31, 2021 financial statements have been reclassified to conform to the January 31, 2022 presentation. Such reclassifications have no effect on reported change in net assets.

***Subsequent Events***

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. The Synod believes that there has not been an event subsequent to year end where disclosure is necessary.

**NORTHWESTERN MINNESOTA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

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, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents without donor restrictions	\$ 455,642	\$ 523,127
MIF demand account	<u>21,553</u>	<u>21,442</u>
Total	<u>\$ 477,195</u>	<u>\$ 544,569</u>

The Synod’s endowment funds consist partly of donor-restricted endowments as well as Synod designated funds. The designated portion of the endowment fund are available to the Synod as designated by the Synod Council, if necessary. The designated portion is not included in the total available assets as the intent is not to spend these funds. Income and dividends from endowments are available for purposes determined by management and the Synod council and are disbursed on a quarterly basis.

**NOTE 3 – INVESTMENTS**

Investments are stated at their fair values and consisted of the following at January 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
ELCA Next Generation Pooled				
Endowment Fund	\$ 193,018	\$ 228,424	\$ 184,840	\$ 206,997
Money market fund	<u>21,553</u>	<u>21,553</u>	<u>21,442</u>	<u>21,442</u>
	<u>\$ 214,571</u>	<u>\$ 249,977</u>	<u>\$ 206,282</u>	<u>\$ 228,439</u>

Investment earnings are comprised of the following at January 31:

	<u>2022</u>	<u>2021</u>
Investment income	\$ 7,678	\$ 6,985
Interest income	1,205	2,594
Change in unrealized gains on investments	<u>10,297</u>	<u>14,813</u>
Net investment return	<u>\$ 19,180</u>	<u>\$ 24,392</u>

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**NOTE 4 – PROPERTY AND EQUIPMENT**

	<b>2022</b>	<b>2021</b>
Equipment and vehicles	\$ 95,685	\$ 95,685
Accumulated depreciation	(69,378)	(60,093)
	\$ 26,307	\$ 35,592

Depreciation expense for the years ended January 31, 2022 and 2021 totaled \$9,285 and \$9,285, respectively.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The three levels of fair value hierarchy in accordance with ASC 920 *Fair Value Measurements* are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

**Level 2:** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

**Money Market Funds** – Valued at the net asset value (“NAV”) of shares held by the Synod at year-end. Money market funds held by the Synod are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The money market funds held by the Synod are deemed to be actively traded.

**ELCA Pooled Investment Fund** – Valued based on NAV until price adjusted periodically to reflect the investment results under the investment fund, which approximates fair value. Fair value is determined based on the underlying value of investments held within the pooled investment fund. The Synod’s interest in the account is the cumulative record of the number of units credited to the fund and the number of units allocated or withdrawn from the fund.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Synod believes its valuation methods are appropriate and consistent with other market participants, the use of different fair value measurement at the reporting date.

The Synod’s fair value measurement policies and procedures are reviewed annually to determine if the valuation techniques are still appropriate.

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The following table sets forth by level, within the fair value hierarchy, the Synod's investments at fair value reported on a recurring basis as of January 31, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 21,553	\$ 21,553	\$ -	\$ -
Total assets in the fair value hierarchy	21,553	21,553	-	-
Investments measured at net asset value	<u>228,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 249,977</u>	<u>\$ 21,553</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Synod's investments at fair value reported on a recurring basis as of January 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 21,442	\$ 21,442	\$ -	\$ -
Total assets in the fair value hierarchy	21,442	21,442	-	-
Investments measured at net asset value	<u>206,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 228,439</u>	<u>\$ 21,442</u>	<u>\$ -</u>	<u>\$ -</u>

Amendments to Subtopic 820-10, *Fair Value Measurement and Disclosures-Overall* of the FASB Accounting Standards Codification permit, as a practical expedient, a plan holding investments in certain entities that calculate NAV per share, or its equivalent, for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. Pursuant to these amendments, the Synod does not categorize investments for which fair value is measured at NAV per share, or its equivalent, using the practical expedient within the fair value hierarchy. The following is a summary of the Synod's investments which report using NAV:

	<u>2022 Fair Value</u>	<u>2021 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
ELCA Next Generation Pooled Endowment Fund	\$ 228,424	\$ 206,997	\$ -	Daily	Within ten business days

The ELCA Pooled Investment Fund seeks to provide a stable, quarterly stream of distributable investment income comprised of interest, dividends and capital gains realized by the fund. The fund allocates holdings in a diversified portfolio of investment pools consisting principally of global equities and fixed income securities.

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**NOTE 6 – DESIGNATED NET ASSETS**

The following net assets are recorded as Synod designated as of January 31:

	<u>2022</u>	<u>2021</u>
Continuing education staff	\$ 10,230	\$ 7,472
Estate - Minerva Olson	5,296	5,796
Health & Wellness	13,882	15,988
Insurance Proceeds & Restitution	3,598	2,683
Next Generation Fund	203,057	203,057
Pastor to Pastor	1,147	1,147
Staff Meetings/Team Building	1,200	-
Staff Transition Fund	43,597	29,825
Synod Assembly Reserve	10,055	10,055
Synod Programs	1,787	1,787
	<u>\$ 293,849</u>	<u>\$ 277,810</u>

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

The following net assets are recorded as donor restricted as of January 31:

	<u>2022</u>	<u>2021</u>
<b>Subject to expenditure for a specific purpose</b>		
Accompaniment Team	\$ 48	\$ -
Candidacy Grants & Retreats	64	64
Companion Synod - General	8,613	7,144
Discovering Vitality - Small ELCA Cong	9,000	10,000
Easter Appeal	907	-
ELCA Next Generation fund - endowment earnings	15,147	10,056
Evangelism	22,732	16,060
Farm Relief	500	500
Fostering Vibrant Faith	25,040	25,040
Give MN	4,637	4,637
Give At Home MN	2,683	2,983
Give to the Max 2020	8,041	8,441
Give to the Max 2021	78,255	-
Giving Hearts Day 2021	38,220	10,886
Giving Hearts Day 2022	50,725	-
Harold Lohr Memorial Fund	435	-
Hunger Grant	3,411	3,411
Lilly III Grant Funds	10,441	10,441
Macedonia Project	5,380	5,434
Memorial for Survivors of Sexual Assault and Abuse	3,525	-

(Continued)



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	<b>2022</b>	<b>2021</b>
Native Neighbors Table	11,692	12,963
Office Furnishings & Equipment	33	33
Power & Boundary Training	2,557	2,718
Racial Equity	19,850	25,000
Red River Leadership	492	2,972
Resilient Communities Grants	735	3,135
Rural Internships - Horizon	100	100
SAM Training Fund	3,311	3,311
School of Lay Ministry (GIFTS Grant)	647	647
Seminary Student Scholarship	34	34
Spouse of Rostered Ministers Retreat	1,657	3,040
Stewardship SOLI Grant	1,215	1,215
Sustaining Rural Ministry	8,229	654
Synod Assembly Offering	500	500
Women's Resiliency	-	119
	<b>338,856</b>	<b>171,538</b>
 <b>Endowment</b>		
<b>Subject to endowment spending policy</b>		
ELCA Next Generation fund	92,091	86,126
	<b>\$ 430,947</b>	<b>\$ 257,664</b>

**NOTE 8 – ENDOWMENTS**

The Synod's endowment consists of donor-restricted funds as well as Synod designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Synod has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Synod classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original 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 the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Synod in a manner consistent with the standard of prudence prescribed by UPMIFA.

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In accordance with UPMIFA, the Synod and its Synod Endowment Committee considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) The duration and preservation of the fund;
- b) The purposes of the Synod and the donor-restricted endowment fund;
- c) General economic conditions;
- d) The possible effect of inflation and deflation;
- e) The expected total return from income and the appreciation of investments;
- f) Other resources of the Synod; and
- g) The investment policies of the Synod.

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Synod to retain as a fund of perpetual duration.

In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of January 31, 2022 and 2021.

***Return Objectives and Risk Parameters***

The Synod has adopted investment and spending policies for endowment assets to achieve growth in principal value while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Synod must hold in perpetuity or for a donor-specified period(s). The Synod expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Synod Council and to grow equity assets. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives***

The assets will be managed on a total return basis. While the Synod recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the Synod's best interest on a risk-adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which the Synod is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which the Synod is willing to accept.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

It is the Synod's policy to withdraw quarterly distributions of earnings and dividends from the endowment's market value. It is understood that the total return basis for calculating spending is sanctioned by UPMIFA, under which guidelines the Synod is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation.

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Changes in the Synod's endowment are as follows for the years ended:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, January 31, 2020	\$ 111,222	\$ 76,593	\$ 187,815
Contributions	-	4,369	4,369
Net appreciation	<u>4,334</u>	<u>10,479</u>	<u>14,813</u>
Balance, January 31, 2021	115,556	91,441	206,997
Contributions	-	11,130	11,130
Net appreciation	<u>5,384</u>	<u>4,913</u>	<u>10,297</u>
Balance, January 31, 2022	<u>\$ 120,940</u>	<u>\$ 107,484</u>	<u>\$ 228,424</u>

**NOTE 9 – PENSION AND BENEFIT PLAN**

The Synod participates in a pension and benefit plan through Portico. This is a defined contribution plan which covers all employees who work a minimum of 20 hours a week for six months or more per year. Contributions are the following percentages of the total salary and housing allowance: 10% for the Bishop and 12% for pastoral and support staff. Contributions totaled \$33,211 and \$30,311 for the years ended January 31, 2022 and 2021, respectively.

**NOTE 10 – RELATED PARTY**

The Synod is related to the ELCA through common management and religious affiliation. The Synod's policy is to give the ELCA 47% of its mission support revenue each year. Contributions to the ELCA, including pass-through payments, for the years ended January 31, 2022 and 2021 totaled \$635,304 and \$642,704, respectively, with a year-end payable balance of \$145,923 and \$156,695, respectively.

The Synod is one of the nine ELCA Synods that comprise Region 3 ELCA. Contributions to Region 3 ELCA for the years ended January 31, 2022 and 2021 totaled \$6,278 and \$5,744, respectively.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The Synod has an operating lease for a postage machine that expires January 2023. Monthly payments are \$156 per month.

The Synod leases a copier under a sixty-month lease that will end February 2024. Monthly payments are \$773 per month.

The Synod has a year to year rental agreement for office space with Concordia College in which the Synod is paying \$1,422 per month. The rental agreement is evaluated annually.

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Minimum rental payments due in future years are as follows:

2023	\$	10,993
2024		9,276
2025		<u>773</u>
	\$	<u><u>21,042</u></u>

Lease expense for the year ended January 31, 2022 and 2021 was \$17,058 and \$17,058, respectively.

The Synod is a party to litigation in the ordinary course of business. The proceedings seek the recovery of damages. Although it is impossible to predict the ultimate outcome of the claim, in the opinion of management, the Synod maintains an adequate level of insurance. Management believes that the outcome of this matter will not have a material adverse effect on the Synod's financial position, results of operations, or liquidity.

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**SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

**NORTHWESTERN MINNESOTA SYNOD OF THE  
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**SCHEDULE OF ACTIVITY FOR DONOR RESTRICTED NET ASSETS FOR A SPECIFIC PURPOSE  
FOR THE YEAR ENDED JANUARY 31, 2022**

	<b>Balance 1/31/21</b>	<b>Revenue, Grants, and Support</b>	<b>Net Assets Released from Restrictions</b>	<b>Balance 1/31/22</b>
<b>Subject to expenditure for a specific purpose</b>				
Accompaniment Team	\$ -	\$ 48	\$ -	\$ 48
Candidacy Grants & Retreats	64	-	-	64
Companion Synod - General	7,144	1,469	-	8,613
Discovering Vitality - Small ELCA Cong	10,000	1,500	2,500	9,000
Easter Appeal	-	44,603	43,696	907
Endowment earnings	10,056	5,091	-	15,147
Evangelism	16,060	31,885	25,213	22,732
Farm Relief	500	-	-	500
Fostering Vibrant Faith	25,040	-	-	25,040
Give MN	4,637	-	-	4,637
Give At Home MN	2,983	-	300	2,683
Give to the Max 2020	8,441	-	400	8,041
Give to the Max 2021	-	78,255	-	78,255
Giving Hearts Day 2021	10,886	49,010	21,676	38,220
Giving Hearts Day 2022	-	50,725	-	50,725
Harold Lohr Memorial Fund	-	435	-	435
Hunger Grant	3,411	-	-	3,411
Lilly III Grant Funds	10,441	-	-	10,441
Macedonia Project	5,434	-	54	5,380
Memorial for Survivors of Sexual Assault and Abuse	-	4,000	475	3,525
Native Neighbors Table	12,963	1,650	2,921	11,692
Office Furnishings & Equipment	33	-	-	33
Power & Boundary Training	2,718	2,251	2,412	2,557
Racial Equity	25,000	-	5,150	19,850
Red River Leadership	2,972	-	2,480	492
Resilient Communities Grants	3,135	-	2,400	735
Rural Internships - Horizon	100	-	-	100
SAM Training Fund	3,311	-	-	3,311
School of Lay Ministry (GIFTS Grant)	647	-	-	647
Seminary Student Scholarship	34	-	-	34
Spouse of Rostered Ministers Retreat	3,040	-	1,383	1,657
Stewardship SOLI Grant	1,215	-	-	1,215
Sustaining Rural Ministry	654	7,575	-	8,229
Synod Assembly Offering	500	-	-	500
Women's Resiliency	119	3,896	4,015	-
	<u>171,538</u>	<u>282,393</u>	<u>115,075</u>	<u>338,856</u>
Total purpose restrictions	\$ <u>171,538</u>	\$ <u>282,393</u>	\$ <u>115,075</u>	\$ <u>338,856</u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
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**SCHEDULE OF ACTIVITY FOR DONOR RESTRICTED NET ASSETS FOR A SPECIFIC PURPOSE  
FOR THE YEAR ENDED JANUARY 31, 2021**

	<u>Balance 1/31/20</u>	<u>Revenue, Grants, and Support</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance 1/31/21</u>
<b>Subject to expenditure for a specific purpose</b>				
Candidacy Grants & Retreats	\$ 64	\$ -	\$ -	\$ 64
Companion Synod - General	5,671	1,473	-	7,144
Discovering Vitality - Small ELCA Cong	-	10,000	-	10,000
Endowment earnings	-	10,056	-	10,056
Evangelism	10,887	18,825	13,652	16,060
Farm Relief	500	-	-	500
Fostering Vibrant Faith	26,290	-	1,250	25,040
Give MN	15,837	-	11,200	4,637
Give At Home MN	-	10,645	7,662	2,983
Give to the Max 2020	-	27,541	19,100	8,441
Giving Hearts Day 2021	-	11,000	114	10,886
Hunger Grant	3,911	-	500	3,411
Lilly III Grant Funds	12,941	-	2,500	10,441
Lutheran Campus Ministry	523	500	1,023	-
Macedonia Project	5,797	589	952	5,434
Native Neighbors Table	8,329	10,276	5,642	12,963
NWMN Disaster Support	3,527	-	3,527	-
Office Furnishings & Equipment	516	-	483	33
Power & Boundary Training	2,718	-	-	2,718
Racial Equity	-	25,000	-	25,000
Red River Leadership	2,000	8,800	7,828	2,972
Resilient Communities Grants	-	36,815	33,680	3,135
Rural Internships - Horizon	100	-	-	100
SAM Training Fund	4,000	-	689	3,311
School of Lay Ministry (GIFTS Grant)	647	-	-	647
Seminary Student Scholarship	34	-	-	34
Spouse of Rostered Ministers Retreat	3,040	-	-	3,040
Stewardship SOLI Grant	-	4,350	3,135	1,215
Sustaining Rural Ministry	73	20,781	20,200	654
Synod Assembly Offering	541	500	541	500
Thrivent Development Grant	3,360	-	3,360	-
Women's Resiliency	-	502	383	119
	<u>111,306</u>	<u>197,653</u>	<u>137,421</u>	<u>171,538</u>
Total purpose restrictions	\$ <u>111,306</u>	\$ <u>197,653</u>	\$ <u>137,421</u>	\$ <u>171,538</u>

**NORTHWESTERN MINNESOTA SYNOD OF THE  
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**SCHEDULE OF PARTNERS IN MINISTRY SUPPORT  
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
Region 3 Support	\$ 6,278	\$ 5,744
Lutheran Campus Ministry - BSU	27,529	22,791
Lutheran Campus Ministry - MSUM	27,529	22,791
Companion Synod Relationship	1,469	1,473
Minnesota Council of Churches	9,634	7,188
Lutheran Advocacy Minnesota	2,890	2,393
Native American Christian Ministry	-	5,915
Parish Nurse Program	908	392
Synod Outreach Ministries	9,250	10,000
Luther Seminary	66,072	55,699
ELCA Colleges	2,998	2,509
Oak Grove Lutheran School	1,414	725
Racial equity	20	15,000
Total support to Partners in Ministry	\$ 155,991	\$ 152,620