

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

FINANCIAL STATEMENTS

YEARS ENDED JANUARY 31, 2019 AND 2018

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
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YEARS ENDED JANUARY 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Synod Council
Southwestern Minnesota Synod of the
Evangelical Lutheran Church in America
Redwood Falls, Minnesota

We have audited the accompanying financial statements of the Southwestern Minnesota Synod of the Evangelical Lutheran Church in America (the Synod), which comprise the statements of financial position as of January 31, 2019 and 2018, and the related statements of activities, the related statement of functional expenses for the year ended January 31, 2019 and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial reports in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Synod Council
Southwestern Minnesota Synod of the
Evangelical Lutheran Church in America

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Minnesota Synod of the Evangelical Lutheran Church in America as of January 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended and functional expense for the year ended January 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
April 26, 2019

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash	\$ 1,218,086	\$ 1,638,808
Cash Held as Fiscal Agent	318,162	213,850
Investments	1,822,263	1,581,582
Accounts and Interest Receivable	3,039	366
Prepaid Expenses	20,705	18,667
Total Current Assets	3,382,255	3,453,273
PROPERTY AND EQUIPMENT		
Land	30,000	30,000
Buildings and Improvements	512,448	513,080
Furniture and Equipment	56,455	60,851
Transportation Equipment	76,020	73,065
Total Property and Equipment	674,923	676,996
Less: Accumulated Depreciation	(368,478)	(392,333)
Property and Equipment, Net	306,445	284,663
Total Assets	\$ 3,688,700	\$ 3,737,936
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 15,196	\$ 17,352
Accounts Payable, ELCA Mission Support	176,331	177,082
Accrued Expenses	21,153	24,104
Deferred Revenue	5,981	7,713
Other Liabilities - Fiscal Agent	160,162	213,850
Total Current Liabilities	378,823	440,101
LONG-TERM LIABILITIES		
Other Liabilities - Fiscal Agent	158,000	-
NET ASSETS		
Without Donor Restriction:		
Operating	770,434	850,233
Board-Designated, Operating Reserve	200,000	200,000
Board-Designated, Endowment	1,301,817	1,379,792
Board-Designated, Other	127,365	124,139
Property and Equipment	306,445	284,663
Total Without Donor Restriction	2,706,061	2,838,827
With Donor Restriction	445,816	459,008
Total Net Assets	3,151,877	3,297,835
Total Liabilities and Net Assets	\$ 3,688,700	\$ 3,737,936

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF ACTIVITIES
YEARS ENDED JANUARY 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE						
Support:						
Mission Support	\$ 1,823,452	\$ -	\$ 1,823,452	\$ 1,806,494	\$ -	\$ 1,806,494
Contributions and Bequests	133,204	756,833	890,037	237,744	628,777	866,521
Total Support	<u>1,956,656</u>	<u>756,833</u>	<u>2,713,489</u>	<u>2,044,238</u>	<u>628,777</u>	<u>2,673,015</u>
Revenue:						
Investment Income (Loss)	(54,010)	-	(54,010)	204,927	-	204,927
Registration Fees	203,741	-	203,741	210,231	-	210,231
Miscellaneous	23,396	-	23,396	305	-	305
Total Revenue	<u>173,127</u>	<u>-</u>	<u>173,127</u>	<u>415,463</u>	<u>-</u>	<u>415,463</u>
Net Assets Released from Restrictions	<u>770,025</u>	<u>(770,025)</u>	<u>-</u>	<u>724,057</u>	<u>(724,057)</u>	<u>-</u>
Total Support and Revenue	<u>2,899,808</u>	<u>(13,192)</u>	<u>2,886,616</u>	<u>3,183,758</u>	<u>(95,280)</u>	<u>3,088,478</u>
EXPENSES	<u>3,032,574</u>	<u>-</u>	<u>3,032,574</u>	<u>2,933,503</u>	<u>-</u>	<u>2,933,503</u>
CHANGE IN NET ASSETS	(132,766)	(13,192)	(145,958)	250,255	(95,280)	154,975
Net Assets - Beginning of Year	<u>2,838,827</u>	<u>459,008</u>	<u>3,297,835</u>	<u>2,588,572</u>	<u>554,288</u>	<u>3,142,860</u>
NET ASSETS - ENDING OF YEAR	<u><u>\$ 2,706,061</u></u>	<u><u>\$ 445,816</u></u>	<u><u>\$ 3,151,877</u></u>	<u><u>\$ 2,838,827</u></u>	<u><u>\$ 459,008</u></u>	<u><u>\$ 3,297,835</u></u>

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2019**

	Program Services			Support Services			Total All Services	
	Support of God's Work in God's World	Synod Events	Synod Services	Total Program Services	Management and General	Fundraising		Total Support Services
Grants and Mission Support	\$ 1,926,413	\$ -	\$ -	\$ 1,926,413	\$ -	\$ -	\$ -	\$ 1,926,413
Compensation and Benefits	30,800	180,810	128,529	340,139	287,777	25,509	313,286	653,425
Insurance	1,001	4,383	3,858	9,242	5,309	579	5,888	15,130
Depreciation	1,571	6,882	6,059	14,512	8,338	909	9,247	23,759
Professional Fees	-	-	12,000	12,000	14,237	-	14,237	26,237
Office and Occupancy	3,641	15,948	14,039	33,628	27,791	2,107	29,898	63,526
Travel	517	5,216	1,995	7,728	2,746	300	3,046	10,774
Event Expense	31,644	209,369	34,199	275,212	30,456	2,629	33,085	308,297
Miscellaneous Expense	-	-	-	-	5,013	-	5,013	5,013
Total Expenses	\$ 1,995,587	\$ 422,608	\$ 200,679	\$ 2,618,874	\$ 381,667	\$ 32,033	\$ 413,700	\$ 3,032,574

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (145,958)	\$ 154,975
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	23,759	27,088
Unrealized (Gain) Loss on Investments	113,715	(159,703)
(Gain) Loss on Disposal of Property and Equipment	(5,183)	271
Changes in Operating Assets and Liabilities:		
Accounts and Interest Receivable	(2,673)	87
Prepaid Expenses	(2,038)	7,794
Accounts Payable	(2,907)	17,032
Accrued Expenses	(2,951)	4,723
Deferred Revenue	(1,732)	463
Other Liabilities	104,312	(149,935)
Net Cash Provided (Used) by Operating Activities	78,344	(97,205)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(47,985)	-
Proceeds on Sale of Property and Equipment	7,627	-
Proceeds from Sale of Investments	228,867	62,868
Purchase of Investments	(583,263)	(83,933)
Net Cash Used by Investing Activities	(394,754)	(21,065)
NET DECREASE IN CASH	(316,410)	(118,270)
Cash - Beginning of Year	1,852,658	1,970,928
CASH - END OF YEAR	\$ 1,536,248	\$ 1,852,658

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southwestern Minnesota Synod Evangelical Lutheran Church in America (the Synod) have been prepared on the accrual basis. The Synod's significant accounting policies are noted below.

Organization

The Synod was incorporated on March 1, 1986. It was formed as a result of a merger which formed the Evangelical Lutheran Church in America (ELCA) from the American Lutheran Church (ALC), The Lutheran Church in America (LCA), and the Association of Evangelical Lutheran Churches (AELC). The Synod is a religious organization dedicated to the mission of establishing, developing, and promoting all aspects of church ministry in the Southwestern Minnesota area. The Synod is supported primarily through contributions received from member congregations. The ELCA is considered a related party of the Synod.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Synod and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent resources received with no donor-imposed restrictions. Net assets without donor restrictions include amounts that have been designated by the board of directors for specific purposes. These net assets without donor restriction are broken up into four categories: operating, board-designated operating reserve, board-designated endowment, and property and equipment. The board-designated operating reserve is \$200,000. The board-designated net assets have been designated by the board for various uses. The property and equipment designated net assets are made up of the ending property and equipment balance. The operating net assets are the remaining net assets without donor restriction.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent resources whose use has been limited by donors to a specific purpose or time period. 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

The Synod had no donor restricted net assets that are required to be held in perpetuity at December 31, 2019 and 2018.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Cash consists of demand deposits with banks. At times such deposits may be in excess of Federal Deposit Insurance Corporation insurance limits.

Investments

Investments consist primarily of funds invested with the *Endowment Fund of the Evangelical Lutheran Church in America Foundation (ELCA Endowment Fund)* and the *Mission Investment Fund of the Evangelical Lutheran Church in America Foundation (ELCA Mission Investment Fund)*. Investments during the year also included certificates of deposit. Investments in the *ELCA Endowment Fund* are stated at fair value based on amounts reported to the Synod by the management of the respective funds. Investments in the *ELCA Mission Investment Fund* are similar in character to savings accounts and certificates of deposits are stated at cost.

Property and Equipment

Property and equipment are carried at cost or donated value less accumulated depreciation. When retired or otherwise disposed of, asset cost and related accumulated depreciation are removed from the respective accounts and the net difference between these amounts and the proceeds, if any, realized from the disposition, is reflected in the change in net assets.

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Expenditures for major additions, improvements, replacements, and major renewals in excess of \$1,500 are capitalized and deductions are made for retirements resulting from the replacements and renewals.

Depreciation is computed using the straight-line method over the expected useful life of the individual asset. Depreciation expense was \$23,759 and \$27,088 for the years ended January 31, 2019 and 2018, respectively.

The useful lives of the property and equipment are as follows:

Buildings	15 to 50 Years
Furniture	7 to 10 Years
Equipment	5 to 10 Years
Vehicles	5 Years

Sabbaticals

Synod Ministers may be granted a three-month sabbatical after five years of service. Sabbaticals must be approved by the Synod Council and must be for the benefit of the Synod. As such, future sabbaticals are not accrued as liabilities in the statement of financial position.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Synod receives services donated by individuals interested in the Synod's missions. The kinds of services provided generally involve the contribution of time to various Synod committees. No amounts for contributed services have been reflected in the accompanying financial statements since the services do not meet accounting standards criteria for recognition.

Functional Allocation of Expenses

Salaries and related expenses are allocated based on the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated on the best estimates of management.

Income Tax Status

The Internal Revenue Service has determined that the Synod is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Synod is also exempt from state income taxes. Accordingly, no provision of federal or state taxes has been made. However, any unrelated business income may be subject to taxation.

The Synod has determined that it has no uncertain tax positions as of January 31, 2019 and 2018. Generally, the Synod's position on the taxability of transactions is open for review for up to six years.

Fair Value Measurements

The Synod categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Synod has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Subsequent to initial recognition, the Synod may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Accounting standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Synod has elected to measure financial instruments at cost where allowed unless specifically elected by the Synod to be measured at fair value. The Synod has elected to measure investments in the ELCA Endowment Fund Pooled Trust Fund A at fair value. The Synod may elect to measure newly acquired financial instruments at fair value in the future.

Estimates

The preparation of financial statements in conformity with GAAP 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.

Change in Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein (except for presentation of the consolidated statement of functional expenses). The adoption did not impact the Synod's financial position as of January 31, 2019 and 2018 or the changes in its net assets or cash flows for the years then ended.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Synod has evaluated events and transactions for potential recognition or disclosure in these financial statements through April 26, 2019, the date the financial statements were available to be issued.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 2 INVESTMENTS

Investments at January 31 consisted of:

	2019	2018
Endowment Investments in ELCA Foundation EF Pooled Account A	\$ 1,231,348	\$ 1,379,792
Operating Investments in ELCA Foundation EF Pooled Account A	509,458	-
Subtotal	1,740,806	1,379,792
ELCA Mission Investment Fund:		
Savings Accounts - Endowment	70,469	-
Savings Accounts	10,988	34,827
Certificates of Deposit (Variable Interest Rate)	-	166,963
Total Investments	\$ 1,822,263	\$ 1,581,582

Fund A, of the ELCA Endowment Fund Pooled Trust, was established to allow for the collective long-term investment of funds belonging to the Evangelical Lutheran Church in America (ELCA), its congregations, synods, seminaries and other eligible affiliated entities. Fund A is administered by the ELCA. ELCA Endowment Fund Pooled Trust Fund A's target asset allocation is 57% global equities, 22% global fixed income, 9% liquid alternatives, 7% marketable alternatives, and 5% global real estate securities.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of January 31:

	2019			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
ELCA Endowment Fund Pooled Trust Fund A	\$ 1,740,806	\$ -	Daily	Same Day
	2018			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
ELCA Endowment Fund Pooled Trust Fund A	\$ 1,379,792	\$ -	Daily	Same Day

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 3 ENDOWMENT

The Synod's endowment consists of funds designated by the Synod Council to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Synod Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All endowment funds of the Synod are included in net assets without donor restriction.

Endowment net assets for the years ended January 31 are as follows:

	Board-Designated (Without Donor Restriction)	
	2019	2018
Endowment Net Assets - Beginning of Year	\$ 1,379,792	\$ 1,141,325
Investment Income	(71,687)	201,502
Board Additions to Endowment Funds	30,871	36,965
Appropriations of Endowment Assets	(37,159)	-
Endowment Net Assets - End of Year	\$ 1,301,817	\$ 1,379,792

Investment Objectives and Strategies

The Synod has adopted an investment policy to invest all endowment funds in the ELCA Endowment Fund Pooled Trust Fund A. Fund A is structured to provide participants with a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains realized by the Fund) 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.

Spending Policy

The Synod may expend or accumulate so much of an endowment fund as the Synod determines to be prudent. Appropriations from the endowment fund are determined annually by the Synod's Endowment Committee.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Book of Faith Initiative	\$ 2,473	\$ 3,232
Child in our Hands/Vibrant Faith	5,278	5,278
Conferences/Circuits	3,175	6,375
Evangelism Grant	-	2,419
Gift Shepherd Grant	9,015	9,015
Good Samaritan Fund	1,121	1,970
Hunger Packing	-	1,520
Lilly Implementation Grant	336,750	232,148
Lilly Matching Funds	200	-
Local and Global Mission	31,138	14,071
Macedonia Project	888	3,347
Ministerial Excellence Fund	-	93,566
Partners in Worship	1,050	1,050
Rural Ministry	5,105	5,928
Seminarian Scholarships to be Distributed	12,358	30,000
SWMN American Missions	-	169
SWMN Global Missions	846	945
SWMN Restricted	725	900
Synod Reconciliation Ministry	2,514	3,906
Travel to South Africa	4,594	4,594
Wellness Dollars	28,586	38,575
Total Net Assets with Donor Restrictions	\$ 445,816	\$ 459,008

Net assets of \$770,025 and \$724,057 were released during 2019 and 2018, respectively, from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors.

NOTE 5 BENEFIT PLAN

The Synod has adopted a defined contribution program through Portico Benefit Services, including component plans for retirement, major medical and disability benefits, that covers all nontemporary employees working at least 20 hours per week. The Synod contributions are based upon a percentage of the covered employees' defined compensation. Contributions during 2019 and 2018 were \$172,084 and \$168,145, respectively.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 6 OPERATING LEASES

The Synod leases various office equipment with leases expiring through March 2022. Rental expense for the years ended January 31, 2019 and 2018 was approximately \$10,300 and \$9,300, respectively. Future minimum lease payments are as follows:

Year Ending January 31,	Amount
2020	\$ 6,561
2021	5,075
2022	350
Total	\$ 11,986

NOTE 7 OTHER LIABILITIES – FISCAL AGENT

On November 1, 2015, the Synod was awarded a \$1,000,000 grant purposed for “equipping faithful stewards”. Terms of the grant require the Synod to serve as fiscal agent for the portion of the grant awarded to the New Jersey Synod of the ELCA. As of January 31, 2019 and 2018, \$455,681 and \$290,937 has been distributed, respectively. An additional \$250,000 was received from Lilly for the New Jersey Synod in the year ended January 31, 2019. Accordingly, in the Synod’s statements of financial position, the New Jersey Synod portion is included in Other Liabilities – Fiscal Agent.

The Synod also serves as the fiscal agent for two additional religious organizations. The Synod’s obligation under the arrangements at January 31, 2019 and 2018, respectively, amounted to \$23,843 and \$4,787.

NOTE 8 LIQUIDITY AND AVAILABILITY

As part of managing its liquidity, the Synod’s financial assets are comprised of insured demand deposit and other short-term investment accounts. The Synod’s investment policy calls for maintaining its demand deposit accounts at a balance adequate to cover anticipated expenditures for the next 60 days, which average approximately \$450,000. Additionally, the Synod Council maintains: (i) an operating reserve fund, presently amounting to \$200,000, and (ii) a quasi-endowment fund totaling \$1,301,817. Through Council action these funds could be drawn upon in the event of financial distress or an immediate liquidity need.

The following reflects the Synod’s total financial assets as of January 31, 2019 and 2018. As of the balance sheet date the Synod has no long-term investments. Amounts presented as unavailable include amounts in the funds mentioned above that could be drawn upon if the Council would approve such action.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2019 AND 2018**

NOTE 8 LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,218,086	\$ 1,638,808
Cash Held as Fiscal Agent	318,162	213,850
Investments	1,822,263	1,581,582
Accounts and Interest Receivable	3,039	366
Total	<u>3,361,550</u>	<u>3,434,606</u>
Donor-Imposed Restrictions	(445,816)	(459,008)
Cash Held as Fiscal Agent	(318,162)	(213,850)
Endowment Fund	(1,301,817)	(1,379,792)
Operating Reserve Fund	<u>(200,000)</u>	<u>(200,000)</u>
Financial Assets Available within One Year to Meet General Expenditures	<u>\$ 1,095,755</u>	<u>\$ 1,181,956</u>