

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JANUARY 31, 2022 AND 2021

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
<i>Statement of Financial Position,</i> January 31, 2022	3
<i>Statement of Financial Position,</i> January 31, 2021	4
<i>Statement of Activities and Changes in Net Assets,</i> Year ended January 31, 2022	5
<i>Statement of Activities and Changes in Net Assets,</i> Year ended January 31, 2021	6
<i>Statement of Functional Expenses,</i> Year ended January 31, 2022	7
<i>Statement of Functional Expenses,</i> Year ended January 31, 2021	8
<i>Statements of Cash Flows,</i> Years ended January 31, 2022 and 2021	9
<i>Notes to Financial Statements</i>	10 - 28

INDEPENDENT AUDITORS' REPORT

**To the Synod Assembly of the
New Jersey Synod of the Evangelical Lutheran Church in America**

Opinion

We have audited the accompanying financial statements of New Jersey Synod of the Evangelical Lutheran Church in America ("Synod") (a nonprofit organization), which comprise the statements of financial position as of January 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod 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. 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 the Synod 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; 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.

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 the Synod's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 financial statements.

**To the Synod Assembly of the
New Jersey Synod of the Evangelical Lutheran Church in America**

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 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 the Synod'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 the Synod'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.

**Philadelphia, Pennsylvania
April 21, 2022**

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

STATEMENT OF FINANCIAL POSITION

January 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,028,288	\$ 2,516,349	\$ 4,544,637
Grant receivable	47,798	-	47,798
Loans receivable, current	50,044	-	50,044
Prepaid expenses	<u>8,637</u>	<u>-</u>	<u>8,637</u>
Total current assets	<u>2,134,767</u>	<u>2,516,349</u>	<u>4,651,116</u>
Noncurrent assets			
Restricted cash	107,401	-	107,401
Investments	5,988,816	3,116,451	9,105,267
Loans receivable, net of current portion	588,754	-	588,754
Mortgages receivable, net of current portion	54,692	-	54,692
Synod house property and equipment, net	388,207	-	388,207
Land and property held by the Synod	1,719,679	-	1,719,679
Equity in Cross Roads Outdoor Ministries	1,850,752	-	1,850,752
Other assets	<u>14,236</u>	<u>-</u>	<u>14,236</u>
Total noncurrent assets	<u>10,712,537</u>	<u>3,116,451</u>	<u>13,828,988</u>
Total assets	<u>\$ 12,847,304</u>	<u>\$ 5,632,800</u>	<u>\$ 18,480,104</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accrued expenses	\$ 30,000	\$ -	\$ 30,000
Total current liabilities	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net assets			
Without donor restrictions			
Undesignated	3,130,992	-	3,130,992
Synod Council designated - endowments	5,727,674	-	5,727,674
Cross Roads Outdoor Ministries	1,850,752	-	1,850,752
Net investment in property, plant and equipment	<u>2,107,886</u>	<u>-</u>	<u>2,107,886</u>
Total net assets without donor restrictions	<u>12,817,304</u>	<u>-</u>	<u>12,817,304</u>
With donor restrictions			
Purpose restricted	-	722,941	722,941
Purpose restricted - endowments	-	1,974,684	1,974,684
Perpetual in nature - endowments	<u>-</u>	<u>2,935,175</u>	<u>2,935,175</u>
Total net assets with donor restrictions	<u>-</u>	<u>5,632,800</u>	<u>5,632,800</u>
Total net assets	<u>12,817,304</u>	<u>5,632,800</u>	<u>18,450,104</u>
Total liabilities and net assets	<u>\$ 12,847,304</u>	<u>\$ 5,632,800</u>	<u>\$ 18,480,104</u>

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

STATEMENT OF FINANCIAL POSITION

January 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,114,161	\$ 1,486,561	\$ 3,600,722
Grant receivable	54,711	-	54,711
Loans receivable, current	44,099	-	44,099
Prepaid expenses	<u>2,550</u>	<u>-</u>	<u>2,550</u>
Total current assets	<u>2,215,521</u>	<u>1,486,561</u>	<u>3,702,082</u>
Noncurrent assets			
Restricted cash	107,349	-	107,349
Investments	5,881,028	1,446,609	7,327,637
Loans receivable, net of current portion	452,259	-	452,259
Mortgages receivable, net of current portion	55,568	-	55,568
Synod house property and equipment, net	411,678	-	411,678
Land and property held by the Synod	1,692,517	-	1,692,517
Equity in Cross Roads Outdoor Ministries	1,763,258	-	1,763,258
Other assets	<u>14,146</u>	<u>-</u>	<u>14,146</u>
Total noncurrent assets	<u>10,377,803</u>	<u>1,446,609</u>	<u>11,824,412</u>
Total assets	<u>\$ 12,593,324</u>	<u>\$ 2,933,170</u>	<u>\$ 15,526,494</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Grants payable	\$ 49,400	\$ -	\$ 49,400
Environmental remediation obligation	<u>246,250</u>	<u>-</u>	<u>246,250</u>
Total current liabilities	<u>295,650</u>	<u>-</u>	<u>295,650</u>
Net assets			
Without donor restrictions			
Undesignated	3,168,568	-	3,168,568
Synod Council designated - endowments	5,261,653	-	5,261,653
Cross Roads Outdoor Ministries	1,763,258	-	1,763,258
Net investment in property, plant and equipment	<u>2,104,195</u>	<u>-</u>	<u>2,104,195</u>
Total net assets without donor restrictions	<u>12,297,674</u>	<u>-</u>	<u>12,297,674</u>
With donor restrictions			
Purpose restricted	-	731,427	731,427
Purpose restricted - endowments	-	1,725,176	1,725,176
Perpetual in nature - endowments	<u>-</u>	<u>476,567</u>	<u>476,567</u>
Total net assets with donor restrictions	<u>-</u>	<u>2,933,170</u>	<u>2,933,170</u>
Total net assets	<u>12,297,674</u>	<u>2,933,170</u>	<u>15,230,844</u>
Total liabilities and net assets	<u>\$ 12,593,324</u>	<u>\$ 2,933,170</u>	<u>\$ 15,526,494</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended January 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Support from congregations	\$ 1,801,925	\$ -	\$ 1,801,925
Other contributions and gifts	903,466	2,523,666	3,427,132
Grant revenue	74,781	-	74,781
Rental income	45,500	-	45,500
Investment income, net	37,258	30,533	67,791
Assembly income	15,650	-	15,650
Donor restricted net assets released from restriction	<u>181,164</u>	<u>(181,164)</u>	<u>-</u>
Total revenues and other support	<u>3,059,744</u>	<u>2,373,035</u>	<u>5,432,779</u>
Expenses			
Program services Synod			
Churchwide and Ministry Partners	1,007,677	-	1,007,677
Strengthening Congregations	272,778	-	272,778
Outreach Supporting Congregations	120,702	-	120,702
Office of the Bishop	319,230	-	319,230
Program services Partners in Ministry			
Designated Support	829,105	-	829,105
Mission Ministries	<u>259,091</u>	<u>-</u>	<u>259,091</u>
Total program services	<u>2,808,583</u>	<u>-</u>	<u>2,808,583</u>
Supporting services			
Oversight of the Mission Plan	<u>246,901</u>	<u>-</u>	<u>246,901</u>
Total supporting services	<u>246,901</u>	<u>-</u>	<u>246,901</u>
Total expenses	<u>3,055,484</u>	<u>-</u>	<u>3,055,484</u>
Changes in net assets from operations	4,260	2,373,035	2,377,295
Non-operating changes			
Realized and unrealized gain on investments	408,840	326,595	735,435
Equity share of gains - Cross Roads Outdoor Ministries	<u>106,530</u>	<u>-</u>	<u>106,530</u>
Total non-operating changes	<u>515,370</u>	<u>326,595</u>	<u>841,965</u>
Changes in net assets	519,630	2,699,630	3,219,260
Net assets, beginning of year	<u>12,297,674</u>	<u>2,933,170</u>	<u>15,230,844</u>
Net assets, end of year	<u>\$ 12,817,304</u>	<u>\$ 5,632,800</u>	<u>\$ 18,450,104</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended January 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Support from congregations	\$ 1,751,453	\$ -	\$ 1,751,453
Other contributions and gifts	603,681	123,406	727,087
Grant revenue	229,532	-	229,532
Rental income	45,500	-	45,500
Investment income, net	59,454	23,126	82,580
Loss from sale of property	(22,321)	-	(22,321)
Assembly income	1,145	-	1,145
Donor restricted net assets released from restriction	<u>747,165</u>	<u>(747,165)</u>	<u>-</u>
Total revenues and other support	<u>3,415,609</u>	<u>(600,633)</u>	<u>2,814,976</u>
Expenses			
Program services Synod			
Churchwide and Ministry Partners	1,064,010	-	1,064,010
Strengthening Congregations	299,084	-	299,084
Outreach Supporting Congregations	107,971	-	107,971
Office of the Bishop	244,829	-	244,829
Program services Partners in Ministry			
Designated Support	856,198	-	856,198
Mission Ministries	<u>86,933</u>	<u>-</u>	<u>86,933</u>
Total program services	<u>2,659,025</u>	<u>-</u>	<u>2,659,025</u>
Supporting services			
Oversight of the Mission Plan	<u>270,680</u>	<u>-</u>	<u>270,680</u>
Total supporting services	<u>270,680</u>	<u>-</u>	<u>270,680</u>
Total expenses	<u>2,929,705</u>	<u>-</u>	<u>2,929,705</u>
Changes in net assets from operations	485,904	(600,633)	(114,729)
Non-operating changes			
Realized and unrealized gain on investments	722,297	261,126	983,423
Equity share of gains - Cross Roads Outdoor Ministries	<u>8,589</u>	<u>-</u>	<u>8,589</u>
Total non-operating changes	<u>730,886</u>	<u>261,126</u>	<u>992,012</u>
Changes in net assets	1,216,790	(339,507)	877,283
Net assets, beginning of year	<u>11,080,884</u>	<u>3,272,677</u>	<u>14,353,561</u>
Net assets, end of year	<u>\$ 12,297,674</u>	<u>\$ 2,933,170</u>	<u>\$ 15,230,844</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended January 31, 2022

	Program Services – Synod				Program Services - Partners in Ministry		Total Program Services	Supporting Services	Total Expenses
	Churchwide And Ministry Partners	Strengthening Congregations	Outreach Supporting Congregations	Office of the Bishop	Designated Support	Mission Ministries		Oversight of the Mission Plan	
Salaries and benefits	\$ -	\$ 244,597	\$ -	\$ 234,303	\$ -	\$ -	\$ 478,900	\$ 90,791	\$ 569,691
Contributions to ELCA	900,962	-	-	-	-	-	900,962	-	900,962
ULS expenses	80,000	-	-	-	-	-	80,000	-	80,000
Crossroads Ministry support contributions	20,215	-	-	-	-	-	20,215	-	20,215
Miscellaneous program expenses	6,500	21,843	-	34,861	-	-	63,204	-	63,204
Communication expense	-	6,338	-	-	-	-	6,338	-	6,338
Mission development	-	-	120,702	-	-	-	120,702	-	120,702
Current year Assembly expense	-	-	-	50,066	-	-	50,066	-	50,066
Fund Grants and disbursements	-	-	-	-	348,988	259,091	608,079	-	608,079
EMU expenses	-	-	-	-	140,962	-	140,962	-	140,962
LEAMNJ expenses	-	-	-	-	137,947	-	137,947	-	137,947
Staff travel expenses	-	-	-	-	-	-	-	5,068	5,068
Volunteers meeting and travel	-	-	-	-	-	-	-	106	106
Audit, legal and insurance	-	-	-	-	-	-	-	34,141	34,141
Property management	-	-	-	-	-	-	-	25,354	25,354
Supplies and utilities	-	-	-	-	-	-	-	46,638	46,638
Automobile maintenance	-	-	-	-	-	-	-	2,296	2,296
External Church property maintenance and support	-	-	-	-	201,208	-	201,208	-	201,208
Depreciation	-	-	-	-	-	-	-	42,507	42,507
Total expenses	<u>\$1,007,677</u>	<u>\$272,778</u>	<u>\$120,702</u>	<u>\$319,230</u>	<u>\$829,105</u>	<u>\$259,091</u>	<u>\$2,808,583</u>	<u>\$246,901</u>	<u>\$3,055,484</u>

See notes to financial statements.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended January 31, 2021

	Program Services – Synod				Program Services - Partners in Ministry		Total Program Services	Supporting Services	Total Expenses
	Churchwide And Ministry Partners	Strengthening Congregations	Outreach Supporting Congregations	Office of the Bishop	Designated Support	Mission Ministries		Oversight of the Mission Plan	
Salaries and benefits	\$ -	\$ 270,750	\$ -	\$ 232,308	\$ -	\$ -	\$ 503,058	\$ 88,387	\$ 591,445
Contributions to ELCA	872,477	-	-	-	-	-	872,477	-	872,477
ULS expenses	90,000	-	-	-	-	-	90,000	-	90,000
Crossroads Ministry support contributions	95,033	-	-	-	-	-	95,033	-	95,033
Miscellaneous program expenses	6,500	21,908	-	12,418	-	-	40,826	-	40,826
Communication expense	-	6,426	-	-	-	-	6,426	-	6,426
Mission development	-	-	107,971	-	-	-	107,971	-	107,971
Current year Assembly expense	-	-	-	103	-	-	103	-	103
Fund Grants and disbursements	-	-	-	-	497,486	86,933	584,419	-	584,419
Congregational legacy distribution	-	-	-	-	52,977	-	52,977	-	52,977
EMU expenses	-	-	-	-	195,275	-	195,275	-	195,275
LEAMNJ expenses	-	-	-	-	110,460	-	110,460	-	110,460
Staff travel expenses	-	-	-	-	-	-	-	4,901	4,901
Volunteers meeting and travel	-	-	-	-	-	-	-	889	889
Audit, legal and insurance	-	-	-	-	-	-	-	51,497	51,497
Property management	-	-	-	-	-	-	-	29,052	29,052
Supplies and utilities	-	-	-	-	-	-	-	43,089	43,089
External Church property maintenance and support	-	-	-	-	-	-	-	10,358	10,358
Depreciation	-	-	-	-	-	-	-	42,507	42,507
Total expenses	<u>\$ 1,064,010</u>	<u>\$ 299,084</u>	<u>\$ 107,971</u>	<u>\$ 244,829</u>	<u>\$ 856,198</u>	<u>\$ 86,933</u>	<u>\$ 2,659,025</u>	<u>\$ 270,680</u>	<u>\$ 2,929,705</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENTS OF CASH FLOWS

Years Ended January 31, 2022 And 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets	\$ 3,219,260	\$ 877,283
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation		
Synod house property and equipment	23,471	23,471
Cross Roads Outdoor Ministries – camp property improvements	19,036	19,036
(Gain) loss from sale of properties	-	22,321
Realized and unrealized gains on investments	(735,435)	(983,423)
Equity share of gains - Cross Roads Outdoor Ministries	(106,530)	(8,589)
(Increase) decrease in		
Grant receivable	6,913	25,749
Accounts receivable	-	13,062
Prepaid expenses	(6,087)	12,247
Other assets	(90)	(1,319)
Increase (decrease) in		
Accrued expenses	30,000	(24,003)
Grants payable	(49,400)	(5,042)
Environmental remediation obligation	<u>(246,250)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>2,154,888</u>	<u>(29,207)</u>
Cash flows from investing activities		
Proceeds from sale of distressed church properties held by the Synod	-	362,679
Land and property held by the Synod - cost incurred for holding and improvement of property	(27,162)	(25,519)
Sale of investment	3,960,611	4,766,863
Purchase of investments	(5,002,806)	(4,851,636)
Loans issued to congregations	(204,784)	(144,555)
Collections of loans receivable	62,344	7,629
Collections of mortgage receivable	<u>876</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(1,210,921)</u>	<u>115,461</u>
Net increase in cash, cash equivalents and restricted cash	943,967	86,254
Cash, cash equivalents and restricted cash, beginning of year	<u>3,708,071</u>	<u>3,621,817</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,652,038</u>	<u>\$ 3,708,071</u>
Supplemental cash flow disclosures		
Schedule of cash, cash equivalents and restricted cash		
Without donor restrictions		
Cash and cash equivalents	\$ 2,028,288	\$ 2,114,161
Restricted cash	107,401	107,349
With donor restrictions		
Cash and cash equivalents	<u>2,516,349</u>	<u>1,486,561</u>
	<u>\$ 4,652,038</u>	<u>\$ 3,708,071</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

January 31, 2022 And 2021

(1) NATURE OF ORGANIZATION

ORGANIZATION

The New Jersey Synod of the Evangelical Lutheran Church in America, (“Synod”), is one of sixty- five geographical synodical units of the Evangelical Lutheran Church in America (“ELCA”). The Synod lies within Region 7 of the ELCA and is comprised of 155 congregations. The Synod relies primarily on annual mission support gifts from these congregations. The Synod Assembly, whose voting members include ministers and lay representatives from New Jersey congregations, is the Synod’s highest legislative authority. The Synod Assembly elects the Synod Council, Bishop, Vice- President, Secretary, and voting members to the ELCA Church-wide Assembly. The Treasurer is elected by the Synod Council.

The Synod Council appoints Mission Teams and recommends program goals and budgets and carries out the resolutions of the Synod Assembly. It issues letters of call to Ministers of Word and Sacrament and to Ministers of Word and Service. The programs and supporting services of the Synod are included in the statement of activities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Financial statement presentation follows the recommendation of accounting principles generally accepted in the United States of America (“GAAP”) to report information regarding the Synod’s financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

NET ASSETS

To ensure the observance of limitations and restrictions placed on the use of resources available to the Synod, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose.

The financial statements report amounts separately by the Synod’s two classes of net assets.

- a) Net assets without donor restrictions are those that are not subject to donor-imposed stipulations and are currently available at the discretion of management and the Synod Council for use in the Synod’s operations. These amounts also include Synod Council-designated funds that have been segregated by the Synod Council to be spent only for specific purposes.
- b) Net assets with donor restrictions are those that are subject to stipulations imposed by donors for specific purposes or for the acquisition of property and equipment, and either expire by passage of time or can be fulfilled and removed by action of the Synod, pursuant to the stipulations.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Synod, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

All contributions are considered available for use without donor restrictions, unless specifically restricted by the donor or subject to other legal restrictions.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

REVENUE AND REVENUE RECOGNITION

In accordance with Accounting Standards Codification (“ASC”) ASC-958 Not-For-Profit-entities, issued by the Financial Accounting Standards Board (“FASB”), contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. These contributions are recognized when cash or ownership of donated assets is unconditionally received by the Synod. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities, as net assets released from restriction.

In accordance with Accounting Standards Update (“ASU”) ASU 2018-08, grants and contracts awarded by third party donors which are generally considered nonreciprocal transactions restricted by donor for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The Organization has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted grant or contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Endowment contributions and investments are reported based on donor restrictions. When investment earnings become available for distribution, they are reclassified, as applicable, to either net assets with donor restrictions or net assets without donor restrictions. If the net asset with donor restrictions is utilized for its donor restricted purpose, it is reported in the statement of activities as net assets released from restrictions.

The Synod recognizes the sale of property in accordance with ASC 606 when the following criteria are met: 1) contract with the customer has been identified; 2) performance obligations in the contract have been identified; 3) transaction price has been determined; 4) the transaction price has been allocated to the performance obligations; and 5) when performance obligations are satisfied. Revenue from sale of property is recognized at the point and time when the Synod and customer/buyer close on a final sales contract. The Synod recognized a loss from a contract on sale of a property in the amount of \$22,321 for the year ended January 31, 2021.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period during which the income gains are recognized.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues, support and expenses. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Synod considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents also include unrestricted money market accounts. Excluded from this definition of cash equivalents are investments in funds that have been designated as assets with donor restrictions to be held in perpetuity.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

CONCENTRATIONS OF CREDIT RISK

The Synod maintains an operating cash balance which may exceed federal and other insurance limits. Historically, the Synod has not experienced any credit-related losses. The risk is managed by maintaining the majority of its deposits in high-quality financial institutions.

The Synod maintains investment balances that may exceed federally or other insured limits, although historically the Synod has not experienced any credit-related losses. The investments are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions and world affairs.

The Synod's investments include fixed income investments which are not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Historically, the Synod has not experienced any credit-related losses.

CERTIFICATES OF DEPOSIT

Certificates of deposit are carried at cost, which approximates their fair value. As of January 31, 2022, the Synod holds one certificate of deposit with an interest rate of 1% and a maturity date of March 31, 2026. As of January 31, 2021, certificates of deposit interest rates ranged from .10% - 1.75% and maturity dates ranged from February 7, 2021 through March 31, 2026.

INVESTMENTS

Investments consist of a pooled income portfolio, which is stated at fair value based on quoted prices on a recognized securities exchange and which holds investments that are classified as both Level 1 and 2 investments, as explained below and further detailed in Note 5.

All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

In 2022 and 2021, expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$91,654 and \$72,705, respectively. These fees are netted against investment income in the accompanying statement of activities for each respective year.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing program and supporting services have been summarized on a functional basis in the accompanying Statement of Functional Expenses. The Synod incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Synod also conducts a number of activities which benefit both its program objectives as well as its supporting services. Costs common to multiple functions have been allocated among program services and supporting services based on time and effort measurement and other methods. Staff costs are allocated based on time and effort.

Oversight of the mission plan expenses include costs generally referred to as management and general expenses, which are not identifiable with any specific program, but which provide for the overall support and direction of the organization.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

LOANS AND MORTGAGES RECEIVABLE

Loans and mortgages receivable represent funds advanced to congregations and affiliates within the Synod and are stated at unpaid principal balances, less an allowance for loan losses, as deemed necessary by management. Loans receivable are unsecured. Mortgages receivable are collateralized by a first mortgage on church property. A title policy is required showing the Synod as the valid first lien holder on all mortgaged properties.

Interest rates are set forth by terms established in the loan/mortgage agreements and currently range from 0.0% to 5.0%, per annum. Interest on loans/mortgages is recognized over the term of the loans and is calculated using the interest method on principal amounts outstanding.

Past due status is determined based on contractual terms. The Synod's practice is to charge off any loan/mortgage or portion of a loan/mortgage when the debt is determined by management to be uncollectible due to the church's failure to meet repayment terms, the church's deteriorating or deteriorated financial condition, or for other reasons. An allowance for loan losses is recorded based on a combination of historical experience and information on specific accounts. The allowance as of both January 31, 2022 and 2021 was \$8,271.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. The Synod capitalizes all asset purchases with an individual acquisition cost over \$5,000. Depreciation is computed using the straight-line method over the useful lives of the assets, generally three years for vehicles, twenty years for office furniture and equipment and forty years for buildings and improvements. Donations of assets are recorded at fair market value upon receipt. Maintenance, repairs and minor renewals are expensed as incurred.

LAND AND PROPERTY HELD BY THE SYNOD

Land and property held by the Synod is property that has been transferred from a congregation generally due to a disbanded congregation or a congregation experiencing financial difficulties. Properties are initially recorded at costs incurred to takeover property, which is generally the costs related to paying off the debt held on the property and costs to maintain the property. Properties are evaluated for impairment on an annual basis or as facts and circumstances arise. The Synod capitalizes costs incurred in connection with holding and improving the property and expects reimbursement of such costs when the property is either transferred back to another congregation or is sold.

IMPAIRMENT OF LONG-LIVED ASSETS

The Synod reviews the carrying values of its long-lived assets whenever events or changes in circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. No impairment charge was deemed necessary at January 31, 2022 or 2021. Impairment assessments inherently involve judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to property value, costs, or other factors that may result in changes in the Synod's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

INVESTMENT IN UNCONSOLIDATED AFFILIATE

The Synod accounts for its investment in Cross Roads Outdoor Ministries under the equity method of accounting, which is appropriate in accordance with accounting guidance related to joint venture accounting. Under the equity method, the investment is initially recorded at cost and is subsequently adjusted for the Synod's share of earnings or losses of the affiliate.

INCOME TAXES

The Synod is a religious organization and is exempt from federal income taxes as a result of its affiliation with the ELCA, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Synod has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(3) PROGRAM AND SUPPORTING SERVICES

The Synod financial statements reflect the following program and supporting services:

PROGRAM SERVICES - SYNOD

Churchwide and Ministry Partners support our partners in ministry in New Jersey, our region and the churchwide organization. Fifty percent of congregational mission support gifts are remitted to the ELCA churchwide organization to support relief efforts and mission work around the world.

Strengthening Congregations supports the Synod's work toward strengthening congregations within the New Jersey Synod, including funding for: Synod staff addressing congregational needs; youth programs and program staff; the Discipleship and Witness Mission Team; the Justice and Peace Mission Team; stewardship resources; and other programs, events and grants.

Outreach Supporting Congregations supports mission development within New Jersey, enables new expressions of ministry in the Synod, assists the start-up of new churches and helps revitalize existing ministries.

Office of the Bishop provides guidance and assistance to Synod congregations and coordinates statewide church and legal processes, including: congregational vacancy and call processes; seminarian discernment and candidacy processes; coordination across the Synod; collaboration and ecumenical dialogue with other church organizations; Synod gatherings such as the Synod Assembly; the Synod Deans, who coordinate our mission districts and support our pastors; and strategic planning.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

PROGRAM SERVICES - PARTNERS IN MINISTRY

Designated and Other Support includes grants and loans given to congregations, groups and individuals from restricted gifts and funds. Examples include the ELCA World Hunger programs; ELCA Mission programs; Fund for Mission grants; Wurffel education grants; loans for congregational transformation; EMU and LEAM program funds; the International Servant Trip to Bosnia; youth ministry programs such as youth retreats.

Mission Ministries includes support for the missions and developing congregations within the New Jersey Synod. Examples include Bridge of Peace Community Church in Camden; Christus Lutheran in Camden; Morning Star in Ridgely; Santa Isabel in Elizabeth; St. Stephan Grace in Newark; St. Bartholomew Lutheran in Trenton; St. Luke in Dunellen.

SUPPORTING SERVICES

Oversight of the Mission Plan includes those functions necessary to support the administrative, financial and legal aspects of running a church organization including: managing our resources and properties; communicating across the Synod; fulfilling ELCA, legal and regulatory requirements; and planning for our future.

(4) INVESTMENTS

The table below sets forth a summary of both the current and non-current investments held by the Synod as of January 31, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit	\$ 100,000	\$ 100,000	\$ 686,000	\$ 686,163
Common stock	5,892,581	7,501,792	3,651,310	4,952,256
Bonds	338,000	330,010	435,000	396,442
Mutual funds - equity	-	-	29,645	54,741
Structured products				
Fixed income	795,000	758,895	824,999	814,410
Equity	<u>425,533</u>	<u>414,570</u>	<u>425,277</u>	<u>423,625</u>
Total investments	<u>\$7,551,114</u>	<u>\$9,105,267</u>	<u>\$ 6,052,231</u>	<u>\$ 7,327,637</u>

As of January 31, 2022 and 2021, accumulated net unrealized gains were \$1,554,153 and \$1,275,406, respectively.

The following summarizes the investment return for the years ended January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Dividends and interest, net of investment expenses of \$91,654 and \$72,705	\$ 67,791	\$ 82,580
Realized gains	456,688	214,640
Unrealized gains	<u>278,747</u>	<u>768,783</u>
Total investment return	<u>\$ 803,226</u>	<u>\$ 1,066,003</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

The Synod utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Synod has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Synod's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Synod's investments as of January 31, 2022 and 2021 is as follows:

	2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 100,000	\$ -	\$ 100,000	\$ -
Common stock	7,501,792	7,501,792	-	-
Bonds	330,010	-	330,010	-
Structured products				
Fixed income	414,570	-	414,570	-
Equity	<u>758,895</u>	<u>-</u>	<u>758,895</u>	<u>-</u>
Total	<u>\$9,105,267</u>	<u>\$7,501,792</u>	<u>\$1,603,475</u>	<u>\$-</u>

	2021			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 686,163	\$ -	\$ 686,163	\$ -
Common stock	4,952,256	4,952,256	-	-
Bonds	396,442	-	396,442	-
Mutual funds – equity	54,741	54,741	-	-
Structured products				
Fixed income	814,410	-	814,410	-
Equity	<u>423,625</u>	<u>-</u>	<u>423,625</u>	<u>-</u>
Total	<u>\$7,327,637</u>	<u>\$5,006,997</u>	<u>\$2,320,640</u>	<u>\$-</u>

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(5) LOANS RECEIVABLE

The Synod holds the following loans receivable:

	<u>January 31, 2022</u>	<u>January 31, 2021</u>
Cross Roads Camp and Retreat Center, Port Murray, NJ Principal of \$292,536 at 4.5% interest, due November 8, 2029	\$ 208,738	\$ 208,738
Transformational Ministry Loans Various principal amounts at 1.0% interest, with various final maturity dates through January 15, 2030	155,331	171,336
COVID-19 Financial Assistance Loans Various principal amounts at 0% interest, forgiven at 25% per year over four years if borrower continues their ministry, with various maturity dates through July 2025	183,000	124,555
Reformed Church of Highland Park Affordable Housing Corporation, NJ principal of \$100,000 at 2% interest due September 1, 2028.	<u>100,000</u>	<u>-</u>
	647,069	504,629
Less – allowance	(8,271)	(8,271)
Less – current portion	<u>(50,044)</u>	<u>(44,099)</u>
Non – current portion	<u>\$ 588,754</u>	<u>\$ 452,259</u>

Total maturities of loans receivable, not including the COVID-19 Financial Assistance Loans (as expected to be forgiven) for the years ending January 31, are as follows:

2023	\$ 50,044
2024	48,936
2025	42,916
2026	37,462
2027	33,071
2028 & thereafter	<u>251,640</u>
Total	464,069
COVID-19 Financial Assistance Loans	<u>183,000</u>
Total loans receivable	<u>\$ 647,069</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(6) MORTGAGES RECEIVABLE

The Synod holds the following mortgages receivable:

	<u>January 31, 2022</u>	<u>January 31, 2021</u>
Dunamis Life Church, Camden, NJ \$36,000 at 5.0% interest, due February 12, 2025 (1)	\$ 35,124	\$ 36,000
Trinity Lutheran Church, Jersey City, NJ Originally \$50,000 at 1.0% interest, due June 22, 2021, converted to a long-term lien in July 2017 (2)	<u>19,568</u>	<u>19,568</u>
	54,692	55,568
Less – current portion	<u>-</u>	<u>-</u>
Noncurrent portion	<u>\$ 54,692</u>	<u>\$ 55,568</u>

(1) The mortgage receivable was amended in August 2014. Under the amended agreement, the principal of the mortgage was reduced to \$36,000, and the maturity date was extended to February 12, 2025 with prepayments in whole or in part able to be made at any time, without a prepayment fee. The borrower began making principal and interest payments in January 2021, and will continue with monthly payments until the stated maturity date.

(2) In July 2017, the remaining balance of the Trinity Lutheran transformational ministry loan of \$19,568 was converted into a long-term lien on the property of Trinity Lutheran Church. In the event that the property is sold at a future date, the balance shall be paid to the New Jersey Synod, ELCA from the proceeds of the property sale. The loan balance has been included in the thereafter balance in the table below.

Total maturities of mortgages receivable for the years ending January 31 are as follows:

2023	\$ -
2024	-
2025	35,124
2026	-
2027	-
Thereafter	<u>19,568</u>
Total	<u>\$ 54,692</u>

(7) SYNOD HOUSE PROPERTY AND EQUIPMENT

The Synod house property and equipment consists of the following:

	<u>January 31, 2022</u>	<u>January 31, 2021</u>
Land	\$ 51,502	\$ 51,502
Building and improvements	551,792	551,792
Office furniture and equipment	53,870	53,870
Vehicles	<u>42,749</u>	<u>42,749</u>
	699,913	699,913
Less - Accumulated depreciation	<u>(311,706)</u>	<u>(288,235)</u>
	<u>\$ 388,207</u>	<u>\$ 411,678</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(8) LAND AND PROPERTY HELD BY THE SYNOD

Property held by the Synod consists of the following:

	<u>January 31, 2022</u>	<u>January 31, 2021</u>
Property held by Synod:		
St. John the Baptist, Hoboken, NJ (1)	\$ 591,212	\$ 589,571
Santa Isabel Lutheran Church, Elizabeth, NJ (2)	586,387	584,625
Santa Isabel Parsonage, Elizabeth, NJ (3)	129,695	128,887
Santa Isabel Parish Hall, Elizabeth, NJ (4)	153,745	151,396
Bridge of Peace, Camden, NJ (5)	255,226	238,038
Epiphany, Pleasantville, NJ (6)	<u>3,414</u>	<u>-</u>
	<u>\$1,719,679</u>	<u>\$1,692,517</u>

- (1) The Synod is currently leasing this property to the Hoboken Shelter (a housing mission agency). The current year increase in the balance represents additional costs of \$1,641 incurred and capitalized in connection with holding and improving the property.
- (2) Santa Isabel is a New Jersey Synod Mission Congregation. The current year increase in the balance represents additional costs of \$1,762 incurred and capitalized in connection with holding and improving the property.
- (3) The Santa Isabel Parsonage is used by the pastor of the Santa Isabel congregation. The current year increase in the balance represents additional costs of \$808 incurred and capitalized in connection with holding and improving the property.
- (4) The Santa Isabel Parish Hall is used by Santa Isabel congregation for community fellowship and community support groups. The current year increase in the balance represents additional costs of \$2,349 incurred and capitalized in connection with holding and improving the property.
- (5) Bridge of Peace is an organized New Jersey Synod congregation. The Synod continues to own the property and assist the congregation. The current year increase in the balance represents additional costs of \$17,188 incurred and capitalized in connection with holding and improving the property.
- (6) On January 20, 2022, the president of church council notified the bishop that Epiphany Lutheran Church of Pleasantville had merged with Reformation Lutheran Church of Absecon and was turning the church building over to the New Jersey Synod to maintain and sell. The current balance represents costs of \$3,414 incurred and capitalized in connection with holding and improving the property. In March 2022, a purchase offer was accepted for the property, with the sale expected to close in April 2022. Net proceeds from the sale will be disbursed according to a legacy plan recommended by the Epiphany Lutheran congregation and approved by the Synod Council.

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(9) NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available to support activities for the following:

Purpose Restricted:	January 31, 2022	January 31, 2021
Partners in Ministry: Designated Support		
Danish Children Home- Endowment	\$ 2,465	\$ 4,873
Franklin Fry Chair - Endowment	62,811	54,741
Brueckner Outdoor Ministries - Endowment	273,372	272,801
Cross Roads Rental - Endowment	2,500	2,222
Compensation Aid - Endowment	285,764	301,173
Candidacy - Endowment	277,913	285,472
Stewardship	4,294	4,294
Brauninger Travel	15,772	15,772
Namibia Special	23,327	22,402
Global Mission Team	4,822	4,822
Immediate Response Disaster Fund	3,897	3,897
Our Savior, Edison Fund – Endowment	186,683	-
Bishop’s Challenge Jehu Jones	39,067	-
Bishop’s Discretionary Fund	<u>15,716</u>	<u>29,326</u>
Total Partners in Ministry - Designated Support	<u>1,198,403</u>	<u>1,001,795</u>
Partners in Ministry - Mission Ministries:		
Fund for Mission - Endowment:		
North Plainfield Music	91,208	88,414
St. Luke Legacy	419,336	402,876
Handicap Access - Redeemer	36,710	34,015
Fund for Mission Legacy - Endowment	335,922	278,589
Fund for Mission, Advent Legacy	563,075	560,943
St. Mark Legacy	47,971	84,971
Hudson Waterfront/Ridgefield Park	<u>5,000</u>	<u>5,000</u>
Total Partners in Ministry - Mission Ministries	<u>1,499,222</u>	<u>1,454,808</u>
Total - purpose restricted	<u>2,697,625</u>	<u>2,456,603</u>
Endowment Funds - Perpetual in Nature:		
Danish Children Home	31,105	31,105
Fund for Mission	445,462	445,462
Our Savior, Edison Fund	<u>2,458,608</u>	<u>-</u>
Total-perpetual in nature	<u>2,935,175</u>	<u>476,567</u>
Total net assets with donor restrictions	<u>\$ 5,632,800</u>	<u>\$ 2,933,170</u>

Investment income generated by the Danish Children’s Home, Fund for Mission and Our Savior, Edison Fund may be used only for donor-specified purposes.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the years ended January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total Partners in Ministry - Designated Support	\$ 124,883	\$ 642,165
Total Partners in Ministry - Mission Ministries	<u>56,281</u>	<u>105,000</u>
	<u>\$ 181,164</u>	<u>\$ 747,165</u>

(10) RETIREMENT PLAN

Substantially all full-time employees of the Synod are enrolled in an employee savings provision plan (403(b) retirement plan) made available and administered by Portico Benefit Services of the ELCA. The Synod contributes 12% based upon the plan agreement. The full current employer cost provided for under the plan was approximately \$57,400 and \$62,100 for the years ended January 31, 2022 and 2021, respectively.

(11) EQUITY IN CROSS ROADS OUTDOOR MINISTRIES

Camp Beisler was acquired by the Lutheran Church in 1953. In 1988, a merger of separate Lutheran denominations took place, forming the ELCA. At that time, Camp Beisler became part of the Synod.

In April 1999, the Synod and the Diocese of Newark of the Protestant Episcopal Church in the United States of America (the “Diocese”) filed a Certificate of Incorporation with the State of New Jersey to establish a non-profit corporation known as the Lutheran/Episcopal Camp and Conference Center, Inc. (the “Camp and Conference Center”), for the purpose of operating the newly established camp, formerly known as Camp Beisler.

In 2000, the Synod entered into a joint venture agreement (the “agreement”) with the Diocese whereby the Synod conveyed a 50% interest to the Diocese in the land improvements at Camp Beisler. The Synod received \$730,000 for this interest and recorded a gain of \$367,827, net of the cost basis. In connection with this agreement, the Synod executed a fifty-year ground lease for \$1 each year with the Camp and Conference Center. Also, the Synod and Diocese lease the land improvements to the Camp and Conference Center for \$1 a year for fifty years, concurrent with the ground lease.

The agreement further provides that in the event that the Synod causes the Camp and Conference Center to be dissolved or the ground lease is terminated by the Synod, the Synod will repurchase the Diocese’s 50% interest in the land improvements for the greater of fair market value or \$730,000. In the event that the Diocese causes the Camp and Conference Center to be dissolved or withdraws from the Camp and Conference Center, the Synod will repurchase the Diocese’s 50% interest in the land improvements for the lower of fair market value or \$730,000. During 2014, the Synod amended its agreement with the Camp and Conference Center, and made a \$250,000 equity contribution to the Camp and Conference Center, which reduced the balance of a fund that had been designated in the event the Camp and Conference Center is dissolved by either party.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

The Synod accounts for its investment in the Camp and Conference Center on the equity method of accounting which is appropriate in accordance with accounting guidance related to joint venture accounting. At January 31, 2022 and 2021, the Synod's equity in Cross Roads Outdoor Ministries is comprised of the following (using information for Cross Roads as of December 31, 2021 and 2020):

	January 31, 2022	January 31, 2021
Camp property improvements, net of accumulated depreciation	\$ 355,400	\$ 374,436
Camp reserve	250,000	250,000
Camp land	1,030,262	1,030,262
Camp land improvements	<u>19,538</u>	<u>19,538</u>
	<u>1,655,200</u>	<u>1,674,236</u>
Cumulative equity, share of earnings, beginning of year	89,022	80,433
Equity share of gains - see table below	<u>106,530</u>	<u>8,589</u>
Cumulative equity, share of earnings, end of year	<u>\$1,850,752</u>	<u>\$1,763,258</u>

Summary financial information related to the Synod's equity interest in Cross Roads Outdoor Ministries for the year ended January 31, 2022 and 2021 is presented as follows (using information for Cross Roads as of December 31, 2021 and 2020):

	January 31, 2022	January 31, 2021
Total support and revenues	\$ 954,667	\$ 568,735
Total expenses	<u>741,606</u>	<u>551,557</u>
Change in net assets	213,061	17,178
Synod's percentage interest	<u>x 50%</u>	<u>x 50%</u>
Synod's share of gains in Cross Roads Outdoor Ministries	<u>106,530</u>	<u>8,589</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(12) ENDOWMENT POLICY

ENDOWMENT DESCRIPTION AND INTERPRETATION OF RELEVANT LAW

The Synod endowment consists of various funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Synod Council to function as endowments. 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.

The Synod Council and the Synod Investment Committee have interpreted the Uniform Prudent Management of Institutional Funds Act to require standard care that is reasonable and prudent over its endowed funds. The Synod classifies as net assets with donor restrictions, the original value of (1) gifts donated to the perpetual endowment and (2) gifts donated to the endowment with purpose restrictions. The Synod classifies as net assets without donor restrictions those funds designated by the Synod Council to function as endowments.

ENDOWMENT SPENDING POLICY

The Synod Council has an approved Investment Policy with spending guidelines. The purpose of this Investment Policy is to establish a prudent and consistent approach to the distribution of endowment earnings that reflects an appropriate balance between the present and future needs. The policy is designed to provide a reasonable degree of stability and predictability in the amount of endowment earnings available for grants, scholarship and the other restricted purposes established by donors, as well as in the amount available for support of the Synod Spending Plan. The Synod Council has approved expenditures based on resolutions for Wurffel scholarships and grants, Fund for Mission grants and approval of the Spending Plan.

The Synod Council approves expenditures in the four to six percent range based on the previous three years' average investment balance. The Synod Council, periodically, as circumstances dictate, considers modifications to the Synod Investment Policy. All disbursements are expended according to donor restrictions and are classified as net assets released from restrictions in the accompanying statement of activities and changes in net assets.

ENDOWMENT INVESTMENT POLICIES

The Synod Council and the Synod Investment Committee have adopted investment policies that seek long-term capital growth, current income and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. The endowment investments may be invested in any combination of common stocks, securities convertible to common stock, preferred stocks, fixed income securities, mutual funds, managed funds and certificates of deposit, as long as the ratio of equities to fixed income does not exceed 70% equities. All investments are to comply with the ELCA's social responsibility guideline.

To satisfy its long-term objectives, the Synod relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Synod targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The target rate of return on investments ranges from four to six percent.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

ENDOWMENT INVESTMENT POLICIES (CONTINUED)

Under the provisions of the Uniform Prudent Management of Institutional Funds Act and GAAP, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in net assets with donor restrictions or net assets without donor restrictions, or both.

The net assets with perpetual donor restrictions of such endowment funds should always equal their historic dollar value. A perpetual endowment fund that has become “underwater” will therefore result in decreases in net assets with purpose donor restrictions, or decreases in net assets without donor restrictions, despite the absence of any legal obligation to restore the endowment fund for such losses. Net assets without donor restrictions that have been reduced because of this requirement will be restored from future gains for that reduction. No endowments were “underwater” as of January 31, 2022 and 2021.

Changes in Endowment Net Assets for the Year Ended January 31, 2022:

	<u>Synod Council Designated</u>	<u>Purpose Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,261,653	\$ 1,725,176	\$ 476,567	\$ 7,463,396
Investment gain, net	438,651	357,128	-	795,779
Contributions and transfers	479,217	15,834	2,458,608	2,953,659
Endowment disbursements and transfers	<u>(451,847)</u>	<u>(123,454)</u>	<u>-</u>	<u>(575,301)</u>
Endowment net assets, end of year	<u>\$ 5,727,674</u>	<u>\$ 1,974,684</u>	<u>\$ 2,935,175</u>	<u>\$ 10,637,533</u>

Changes in Endowment Net Assets for the Year Ended January 31, 2021:

	<u>Synod Council Designated</u>	<u>Purpose Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,394,875	\$ 2,008,007	\$ 476,567	\$ 6,879,449
Investment gain, net	766,846	284,252	-	1,051,098
Contributions and transfers	456,028	14,338	-	470,366
Endowment disbursements and transfers	<u>(356,096)</u>	<u>(581,421)</u>	<u>-</u>	<u>(937,517)</u>
Endowment net assets, end of year	<u>\$ 5,261,653</u>	<u>\$ 1,725,176</u>	<u>\$ 476,567</u>	<u>\$ 7,463,396</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(13) CONTINGENT LIABILITIES AND RESTRICTED CASH

To assist non-related ELCA congregations with the purchase of former ELCA properties, the Synod at times enters into tenant-in-common agreements. Under the terms of the agreements, the Synod agrees to jointly guarantee a mortgage held by a purchasing congregation and funds a debt service reserve account with the financial institution lender. The deed for the mortgaged property is held in escrow, and the Synod retains a 51% interest in the property as a tenant-in-common and a 49% interest is granted to the congregation. Under the terms of the agreements, the Synod is released of all liability for the mortgage loan if the congregation meets certain financial benchmarks as defined by the financial institution. If the congregation defaults on the loan payments, the Synod becomes liable and the deed for the property would be released to the Synod. As of January 31, 2022, there were no defaults under these arrangements.

As of January 31, 2022 and 2021, the Synod was party to four tenant-in-common agreements. At January 31, 2022 and 2021, total funds in reserve related to tenant-in-common agreements were \$107,401 and \$107,349 respectively and are reflected as restricted cash on the Statement of Financial Position.

Management believes its performance obligation on these guarantees will be immaterial, and, as such has not recorded any liability related to the guarantees. The Synod's payment/performance risk of the guarantee is managed by the following: (1) currently none of the loan arrangements are in default; (2) if default would occur the external lender would utilize those funds held in reserve first prior to seeking funds from the Synod; (3) the Synod has adequate cash flow reserves to cover any defaults; (4) should a congregation default on their loan, the property will revert to the Synod.

The future minimum payments due under the mortgage loans, guaranteed by the Synod, for the years ending January 31, are as follows:

	<u>Keys To Life Ministries</u>	<u>Holy Trinity Baptist Church</u>	<u>Muungano Seventh Day</u>	<u>Macedonia Baptist Church</u>	<u>Total</u>
2023	\$ 27,695	\$ 17,228	\$ 36,783	\$ 23,606	\$ 105,312
2024	29,364	18,982	576,715	26,926	651,987
2025	30,943	20,003	-	28,233	79,179
2026	32,608	21,079	-	29,604	83,291
2027	34,361	22,212	-	31,041	87,614
2028 and thereafter	<u>239,240</u>	<u>203,636</u>	<u>-</u>	<u>429,499</u>	<u>872,375</u>
Total	<u>\$ 394,211</u>	<u>\$ 303,140</u>	<u>\$ 613,498</u>	<u>\$ 568,909</u>	<u>\$ 1,879,758</u>

(14) ENVIRONMENTAL REMEDIATION OBLIGATION

During 2016, the Synod was informed by the New Jersey Department of Environmental Protection (“NJ DEP”) that there are safety issues involving the stability of an earthen dam located on the Cross Roads Camp property. As disclosed in Note 11, a portion of the Synod's equity in Cross Roads Outdoors Ministries (“Cross Roads”) represents the cost of land and land improvements. The Synod is the owner of the land and therefore was responsible for the remediation. The NJ DEP required the Synod to develop and submit a plan of action. The Synod hired an engineering consultant to design alternatives and estimate remediation costs. The consultant presented three options ranging from \$780,000 to \$3.08 million in estimated cost.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

At December 31, 2016, the Synod accrued \$780,000, which was the best estimate of the obligation regarding this property and which was presented under the caption Environmental Remediation Obligation in the Statement of Financial Position.

In October 2017, the Synod contracted Trout Scapes River Restoration LLC for \$46,815 to remove the fish from the lake behind the dam, lower the water level and seed the exposed lakebed. This first step in remediating the safety issues removed the dam from the NJ DEP high priority list and the threat of state action. The same vendor performed preparation work needed to prepare the final remediation plan, and the Synod received an updated estimate of \$422,029 to complete the remediation work through removal of the dam and restoration of the stream bed.

In April of 2018, a final estimate of \$413,112 was received by the Synod. The project had been estimated to be completed by May 2020, however, due to the COVID-19 pandemic, all work on the project ceased in the spring of 2020. After state approvals were obtained and all permits issued, work on the dam resumed in September 2021 and was completed in December 2021. Some minor landscaping is expected to be done in the spring of 2022.

The total expended for design, permits and construction to remediate the risk was \$416,112.

(15) COVID-19 AND PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on the Synod’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Synod’s congregations, donors, employees and vendors, all of which are uncertain and cannot be predicted.

In May 2020, the Synod received \$127,595 in funds from the federal Paycheck Protection Program (PPP). The PPP loan was designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Small Business Administration (SBA) will forgive loans if all employees are kept on the payroll for a specific period of time and the money is used for certain allowable costs. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 24 months. The AICPA released guidance on recording options and the Synod has decided to record these funds under the government grant model (FASB ASC 958-605). The cash received under the PPP was recorded as a liability until the conditions were substantially met. When the Synod had substantially met the conditions of the program and qualifying expenses were incurred, the cancellation of the liability was recorded as revenue. As the Synod had met conditions and incurred expense in the amount of \$127,595 as of January 31, 2021, the amount was included in the statement of activities as grant revenue. On October 30, 2020, the Synod was notified that the loan was forgiven by the SBA.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

(16) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table shows the Synod's total financial assets and the amounts that could be made readily available within one year of the year ended January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,544,637	\$ 3,600,722
Restricted cash	107,401	107,349
Investments	9,105,267	7,327,637
Loans receivable, current	50,044	44,099
Grants receivable	<u>47,798</u>	<u>54,711</u>
Total financial assets available within one year	13,855,147	11,134,518
Less amounts unavailable for general expenditures within one year due to:		
Restricted cash	(107,401)	(107,349)
Restricted by donor with purpose restrictions	(722,941)	(731,427)
Endowments-restricted by donor with purpose restrictions	(1,974,684)	(1,725,176)
Endowments-restricted by donor in perpetuity	(2,935,175)	(476,567)
Less amounts unavailable to management without Synod Council approval:		
Endowments-Synod Council designated funds	<u>(5,727,674)</u>	<u>(5,261,653)</u>
Total financial assets available to management for general operating expenditures within one year	<u>\$ 2,387,272</u>	<u>\$ 2,832,346</u>

The Synod operates within a budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Additionally, the Synod can re-allocate Synod Council designated funds to cover expenditures as necessary.

The Synod has donor-restricted assets limited as to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the above qualitative information for financial assets to meet general expenditures within one year.

LIQUIDITY MANAGEMENT

The Synod has an investment policy authorized by the Synod Council that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Synod maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Synod, the time horizon of those needs and the Synod Council's investment philosophy.

To help manage unanticipated liquidity needs, the Synod has Synod Council designated net assets without donor restrictions that, while the Synod does not intend to spend for purposes other than identified, the amounts could be made available for current operations, as necessary.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2022 And 2021

The Synod's net assets without donor restrictions are comprised of designated amounts for the following purposes as of January 31:

<u>Synod Council Designated Funds:</u>	<u>2022</u>	<u>2021</u>
Fund for Mission	\$ 1,972,739	\$ 1,917,132
Cross Roads Unrestricted	518,008	480,000
Camden Lutheran Ministries	158,053	195,518
Mission Development	592,213	589,286
Synod Parsonage	252,682	234,127
Candidacy Endowment	163,874	-
Compensation Aid	163,874	-
Wurffel Fund	<u>1,906,231</u>	<u>1,845,590</u>
	<u>\$ 5,727,674</u>	<u>\$ 5,261,653</u>

(17) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 21, 2022, have been evaluated in the preparation of financial statements. There were no material subsequent events required to be disclosed.