

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JANUARY 31, 2019**

**AND**

**INDEPENDENT AUDITORS' REPORT**

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

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

# FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of New Jersey Synod of the Evangelical Lutheran Church in America (the "Synod") (a nonprofit organization), which comprise the statement of financial position as of January 31, 2019, and the related statements of activities and changes in net assets, statement of functional expenses and cash flows for the year 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 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Synod'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 Synod'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.

(Continued)

**Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of January 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Friedman LLP*

May 20, 2019

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FINANCIAL POSITION

JANUARY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,759,955	\$ 568,318	\$ 2,328,273
Investments	403,735	-	403,735
Accounts receivable	1,974	-	1,974
Loans receivable, current	35,613	-	35,613
Mortgages receivable, current	86,842	-	86,842
Prepaid expenses	56,310	-	56,310
Total current assets	2,344,429	568,318	2,912,747
<b>Noncurrent assets</b>			
Restricted cash	107,144		107,144
Certificates of deposit	-	747,126	747,126
Investments	2,906,535	1,841,807	4,748,342
Loans receivable, net of current portion	343,316	-	343,316
Mortgages receivable, net of current portion	55,568	-	55,568
Synod house property and equipment, net	433,559	-	433,559
Land and property held by the Synod	2,045,649	-	2,045,649
Equity in Cross Roads Outdoor Ministries	1,764,379	-	1,764,379
Other assets	12,238	-	12,238
Total noncurrent assets	7,668,388	2,588,933	10,257,321
Total assets	\$ 10,012,817	\$ 3,157,251	\$ 13,170,068
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accrued expenses and other liabilities	\$ 598	\$ -	\$ 598
Grants payable	56,720	-	56,720
Environmental remediation obligation	281,637	-	281,637
Total current liabilities	338,955	-	338,955
Commitments and contingencies			
<b>Net assets</b>			
Without donor restrictions			
Undesignated	1,590,025	-	1,590,025
Board designated - endowments	3,840,250	-	3,840,250
Cross Roads Outdoor Ministries	1,764,379	-	1,764,379
Net investment in property, plant and equipment	2,479,208	-	2,479,208
Total net assets without donor restrictions	9,673,862	-	9,673,862
With donor restrictions			
Purpose restricted	-	787,579	787,579
Purpose restricted - endowments	-	1,893,105	1,893,105
Perpetual in nature - endowments	-	476,567	476,567
Total net assets with donor restrictions	-	3,157,251	3,157,251
Total net assets	9,673,862	3,157,251	12,831,113
Total liabilities and net assets	\$ 10,012,817	\$ 3,157,251	\$ 13,170,068

See notes to financial statements.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JANUARY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>			
Support from congregations	\$ 1,852,646	\$ -	\$ 1,852,646
Other contributions and gifts	1,258,055	45,496	1,303,551
Grant revenue	164,744	-	164,744
Rental income	42,000	-	42,000
Investment income, net	82,029	28,427	110,456
Realized gains on investments	124,329	47,396	171,725
Gain on sale of property	1,165,297	-	1,165,297
Assembly income	49,776	-	49,776
Donor restricted net assets released from restriction	170,029	(170,029)	-
<b>Total revenues, gains and other support</b>	<b>4,908,905</b>	<b>(48,710)</b>	<b>4,860,195</b>
<b>Expenses</b>			
Program services - Synod			
Churchwide and Ministry Partners	1,071,973	-	1,071,973
Strengthening Congregations	307,180	-	307,180
Outreach Supporting Congregations	156,192	-	156,192
Office of the Bishop	309,680	-	309,680
Program services - Partners in Ministry			
Designated Support	1,473,721	-	1,473,721
Mission Ministries	538,425	-	538,425
<b>Total program services</b>	<b>3,857,171</b>	<b>-</b>	<b>3,857,171</b>
Supporting services			
Oversight of the Mission Plan	404,761	-	404,761
<b>Total supporting services</b>	<b>404,761</b>	<b>-</b>	<b>404,761</b>
<b>Total expenses before other gains (losses)</b>	<b>4,261,932</b>	<b>-</b>	<b>4,261,932</b>
<b>Other gains (losses)</b>			
Unrealized losses on investments	(288,135)	(111,758)	(399,893)
Equity share of losses - Cross Roads Outdoor Ministries	(3,913)	-	(3,913)
Environmental remediation recoveries	8,917	-	8,917
Forgiveness of debt	(7,955)	-	(7,955)
<b>Total other gains (losses)</b>	<b>(291,086)</b>	<b>(111,758)</b>	<b>(402,844)</b>
<b>Changes in net assets</b>	<b>355,887</b>	<b>(160,468)</b>	<b>195,419</b>
Net assets, beginning of year	9,317,975	3,317,719	12,635,694
<b>Net assets, end of year</b>	<b>9,673,862</b>	<b>3,157,251</b>	<b>12,831,113</b>

See notes to financial statements.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JANUARY 31, 2019

	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	\$ -	\$ 279,705	\$ -	\$ 237,164	\$ -	\$ -	\$ 516,869	\$ 93,190	\$ 610,059
Contributions to ELCA	926,323	-	-	-	-	-	926,323	-	926,323
ULS expenses	90,000	-	-	-	-	-	90,000	-	90,000
Crossroads ministry support contributions	20,000	-	-	-	-	-	20,000	-	20,000
LEAMNJ support contributions	20,000	-	-	-	-	-	20,000	-	20,000
Miscellaneous program expenses	15,650	18,826	-	19,205	-	-	53,681	-	53,681
Communication expense	-	8,649	-	-	-	-	8,649	-	8,649
Congregation support	-	-	156,192	-	-	-	156,192	-	156,192
Current year assembly expense	-	-	-	53,311	-	-	53,311	-	53,311
Fund Grants and disbursements	-	-	-	-	1,473,721	83,925	1,557,646	-	1,557,646
Congregational Legacy distribution	-	-	-	-	-	454,500	454,500	-	454,500
Staff travel expenses	-	-	-	-	-	-	-	6,327	6,327
Volunteers meeting and travel	-	-	-	-	-	-	-	19,891	19,891
Audit, legal and insurance	-	-	-	-	-	-	-	42,753	42,753
Property management	-	-	-	-	-	-	-	61,098	61,098
Supplies and utilities	-	-	-	-	-	-	-	35,640	35,640
Automobile	-	-	-	-	-	-	-	15,000	15,000
External Church property maintenance and support	-	-	-	-	-	-	-	88,071	88,071
Depreciation	-	-	-	-	-	-	-	42,791	42,791
<b>Total expenses</b>	<b>\$ 1,071,973</b>	<b>\$ 307,180</b>	<b>\$ 156,192</b>	<b>\$ 309,680</b>	<b>\$ 1,473,721</b>	<b>\$ 538,425</b>	<b>\$ 3,857,171</b>	<b>\$ 404,761</b>	<b>\$ 4,261,932</b>

**NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JANUARY 31, 2019**

<b>Cash flows from operating activities</b>	
Changes in net assets	\$ 195,419
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	
Synod house property and equipment	23,755
Cross Roads Outdoor Ministries - Camp property improvements	19,036
Gain on sale of property	(1,165,297)
Realized gains on investments	(171,725)
Unrealized losses on investments	399,893
Equity share of losses - Cross Roads Outdoor Ministries	3,913
Environmental remediation recoveries	(8,917)
Forgiveness of debt	7,955
Accrued interest on mortgage receivable	(2,761)
Changes in assets and liabilities	
Accounts receivable	54,400
Prepaid expenses	(744)
Other assets	(566)
Accrued expenses and other liabilities	(283)
Grants payable	18,422
Environmental remediation obligation	(131,475)
Net cash used in operating activities	(758,975)
<b>Cash flows from investing activities</b>	
Costs incurred to secure property (acquisition cost)	(28,872)
Proceeds from sale of property held by the Synod	1,364,435
Land and property held by the Synod - cost incurred for holding and improvement of property	(82,337)
Redemption of certificates of deposit	359,819
Reinvestment of earnings on certificates of deposit	(56,068)
Sale of investments	2,685,431
Purchase of investments	(3,134,256)
Loans issued to congregations	(20,000)
Collections of loans receivable	48,264
Net cash provided by investing activities	1,136,416
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>377,441</b>
Cash, cash equivalents and restricted cash, beginning of year	2,057,976
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 2,435,417</b>
<b>Supplemental cash flow disclosures</b>	
Schedule of cash, cash equivalents and restricted cash	
Without donor restrictions	
Cash and cash equivalents	\$ 1,759,955
Restricted cash	107,144
With donor restrictions	
Cash and cash equivalents	568,318
	<u>\$ 2,435,417</u>

See notes to financial statements.



# NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 1 - NATURE OF ORGANIZATION

#### **Organization and Change in Fiscal Year End**

The New Jersey Synod of the Evangelical Lutheran Church in America, (the "Synod"), is one of sixty-five geographical synodical units of the Evangelical Lutheran Church in America (the "ELCA"). The Synod lies within Region 7 of the ELCA and is comprised of 163 congregations. The financial year end of the Synod was changed from December 31 to January 31 to align with the year-end of the Evangelical Lutheran Church in America. These financial statements are for the period from February 1, 2018 to January 31, 2019. 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.

#### *Classes of 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 Board for use in the Synod's operations. These amounts also include Board-designated funds that have been segregated by the Board 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.

# NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

#### **Restricted and Unrestricted Revenues and Support**

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.

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.

Grant revenue is recognized at the time grant related expenditures are incurred.

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.

#### **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.

# NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Concentrations of Credit Risk (Continued)**

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. Certificates of deposit consisting of funds without donor restrictions are classified as a current asset in the accompanying statement of financial position. Certificates of deposit consisting of funds with donor restrictions are classified as a noncurrent asset in the accompanying statement of financial position. As of January 31, 2019, certificates of deposit interest rates range from 1.0% to 2.5% and maturity dates range from February 21, 2019 through March 31, 2026.

#### **Investments**

Investments, including investments held for long-term purposes (with donor restrictions), 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.

GAAP defines fair value, provides guidance for measuring fair value, and requires certain disclosures, based on a fair value hierarchy. This fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

# NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments (Continued)

Level 3: Unobservable inputs supported by little or no market activity and that require significant management judgment or estimation.

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

In 2019, expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$56,638. These fees are netted against investment income in the accompanying Statement of Activities and Changes in Net Assets.

#### 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 programs 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.

#### 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. Management has determined that no allowance is required as of January 31, 2019.

# NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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, 2019. 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.

#### **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 ELCA, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

## NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

#### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Adoption of New Accounting Pronouncement**

On August 18, 2016 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update changes the guidance for net asset classification, disclosures about liquidity and availability of resources, and the presentation of expenses and investment return. The Synod has adopted the provisions of this guidance in these financial statements.

##### **Subsequent Events**

These financial statements were approved by management and available for issuance on May 20, 2019. Management has evaluated subsequent events through this date.

#### 3 - 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, 2019:

Cash and cash equivalents	\$ 2,328,273
Restricted cash	107,144
Certificates of deposit	747,126
Investments	5,152,077
Loans receivable, current	35,613
Mortgage receivable, current	86,842
Accounts receivable	1,974
Total financial assets available	8,459,049
Less financial assets not available within one year *	(603,735)
Total financial assets available within one year	7,855,314
Less amounts unavailable for general expenditures within one year due to:	
Restricted cash	(107,144)
Restricted by donor with purpose restrictions	(787,579)
Endowments-restricted by donor with purpose restrictions	(1,893,105)
Endowments-restricted by donor in perpetuity	(476,567)
Less amounts unavailable to management without board approval:	
Endowments-board designated funds	(3,840,250)
Total financial assets available to management for general operating expenditures within one year	\$ 750,669

\*Represents certificates of deposit and bond investments with maturity dates greater than one year.

# NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 board designated funds to cover expenditures as necessary.

The Synod has certain donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included 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 board 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.

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

#### Board Designated Funds:

Fund for Mission	\$ 1,436,081
Cross Roads Unrestricted	182,187
Camden Lutheran Ministries	219,046
Mission Development	301,850
Synod Parsonage	186,270
Wurffel Fund	1,514,816
	<hr/>
	\$ 3,840,250

### 4 - 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.

## NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

#### 4 - PROGRAM AND SUPPORTING SERVICES (Continued)

##### **Program Services - Synod (Continued)**

*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.

##### **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; and the International Servant Trip to Bosnia. This category also includes registrations and expenses for Youth Ministry programs such as RESET, Among the Wolves, Differently Abled, and Confirmation Camp.

*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 Ridgfield; Santa Isabel in Elizabeth; St. Stephan Grace in Newark; and St. Bartholomew Lutheran in Trenton.

##### **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.



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

**NOTES TO FINANCIAL STATEMENTS**

**5 - INVESTMENTS**

The table below sets forth a summary of both the current and non-current investments held by the Synod as of January 31, 2019, and the changes in the fair value of those investments from inception through January 31, 2019:

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
<b>Investments – Current</b>			
Corporate bonds	\$ 427,000	\$ 403,735	\$ (23,265)
<b>Investments – Noncurrent</b>			
Equities	3,974,394	4,362,246	387,852
Fixed income securities	422,323	386,096	(36,227)
	<b>\$ 4,823,717</b>	<b>\$ 5,152,077</b>	<b>\$ 328,360</b>

The table below presents the balances of assets measured at fair value, on a recurring basis, by level, within the fair value hierarchy as of January 31, 2019:

	Quoted Prices in Active Markets for Identical Assets - Level 1	Significant Other Observable Inputs - Level 2	Total
<b>Pooled income portfolio</b>			
Corporate bonds	\$ -	\$ 403,735	\$ 403,735
Equities	4,362,246	-	4,362,246
Fixed income securities	-	386,096	386,096
	<b>\$ 4,362,246</b>	<b>\$ 789,831</b>	<b>\$ 5,152,077</b>

## NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

#### 6 - LOANS RECEIVABLE

The Synod holds the following loans receivable:

	January 31, 2019
Cross Roads Camp and Retreat Center, Port Murray, NJ Principal of \$292,536 at 4.5% interest, due November 8, 2029	\$ 228,548
Transformational Ministry Loans  Various principal amounts at 1.0% interest, with various final maturity dates through March 15, 2026	150,381
	378,929
Less - current portion	35,613
Noncurrent portion	\$ 343,316

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

2020	\$ 35,613
2021	35,921
2022	32,404
2023	33,342
2024	34,325
Thereafter	207,324
Total	\$ 378,929

#### 7 - MORTGAGES RECEIVABLE AND SUBSEQUENT EVENT

The Synod holds the following mortgages receivable:

	January 31, 2019
Dunamis Life Church, Camden, NJ \$36,000 at 5.0% interest, due February 12, 2025 (1)	\$ 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)	19,568
Holy Trinity Baptist Church of New Jersey, Inc., Trenton, NJ \$86,842 at 3.0% interest, due February 2019 (3)	86,842
	142,410
<b>Less - current portion</b>	<b>86,842</b>
Noncurrent portion	<b>\$ 55,568</b>

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

**NOTES TO FINANCIAL STATEMENTS**

**7 - MORTGAGES RECEIVABLE AND SUBSEQUENT EVENT (Continued)**

(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. Under the terms of the agreement, payments are interest only until the 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.

(3) In February 2019, Holy Trinity Baptist Church of New Jersey, Inc. negotiated with the Synod to settle their \$94,797 loan balance for \$86,842. The amount was paid in full as of February 2019 and the loan was retired. As a result, the Synod wrote down the balance of this loan as of January 31, 2019, which resulted in the recognition of a \$7,955 forgiveness of debt loss for the year ended January 31, 2019.

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

2020	\$ 86,842
2021	-
2022	-
2023	-
2024	-
Thereafter	55,568
<b>Total</b>	<b>\$142,410</b>

**8 - SYNOD HOUSE PROPERTY AND EQUIPMENT**

The Synod house property and equipment consists of the following:

	<b>January 31,</b>
	<b>2019</b>
Land	\$ 51,502
Building and improvements	551,792
Office furniture and equipment	53,870
Vehicles	61,220
	718,384
Less - Accumulated depreciation	284,825
	<b>\$ 433,559</b>

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

**NOTES TO FINANCIAL STATEMENTS**

**9 - LAND AND PROPERTY HELD BY THE SYNOD**

Property held by the Synod at January 31, 2019 consists of the following:

<b>Property held by Synod:</b>	
Cross of Life Lutheran Church, Plainfield, NJ (1)	\$ -
St. John the Baptist, Hoboken, NJ (2)	578,539
Elizabeth Lutheran Center ("ELC") Church, Elizabeth, NJ (3)	576,447
ELC Parsonage, Elizabeth, NJ (4)	127,827
ELC Parish Hall, Elizabeth, NJ (5)	134,955
Bridge of Peace, Camden, NJ (6)	214,009
Land, Jackson, NJ (7)	385,000
Townsend's Inlet, Sea Isle City, NJ (8)	-
Ascension Lutheran Church, Haddon Heights, NJ (9)	-
<b>Costs incurred to secure property (acquisition in progress):</b>	
Holy Trinity, Audubon, NJ (10)	23,916
The Youth Center, Glen Gardner, NJ (11)	1,956
St. Stephen, Edison, NJ (12)	3,000
	<b>\$ 2,045,649</b>

(1) In May of 2018, the Cross of Life Lutheran Church was closed and the property was sold in January 2019. Net proceeds from the sale amounted to \$899,579, resulting in a gain on the sale of \$709,864. Prior to the sale, additional costs of \$40,381 were incurred and capitalized in connection with holding and improving the property in the current year.

(2) 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 \$3,500 incurred and capitalized in connection with holding and improving the property.

(3) The ELC Church is used by Santa Isabel mission congregation. The current year increase in the balance represents additional costs of \$3,244 incurred and capitalized in connection with holding the property.

(4) The ELC Parsonage is used by the pastor of the Santa Isabel congregation. The current year increase in the balance represents additional costs of \$410 incurred and capitalized in connection with holding the property.

(5) The ELC 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 \$6,542 incurred and capitalized in connection with holding and improving the property.

(6) Bridge of Peace congregation transitioned from a mission ministry to an organized congregation in May 2007. The Synod continues to own the property and assist the congregation. The current year increase in the balance represents additional costs of \$19,337 incurred and capitalized in connection with holding and improving the property.

## NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

#### 9 - LAND AND PROPERTY HELD BY THE SYNOD (Continued)

(7) Land in Jackson, NJ was purchased in 2007 for development of a New Jersey Synod Mission Congregation. In January 2018, a sales contract was executed for \$385,000 relative to the sale of land. As such, the value of the property was written down by \$40,853 as of December 31, 2017, to equal the net realizable value of the property. In 2018, the sale date was extended to July 1, 2019.

(8) The Synod became the Trustee to the Townsend's Inlet property in 2014. A congregation uses the property for summer worship. This property, previously valued at \$36,344, was written down to a zero value as of December 31, 2017, as it is required to be indefinitely held in trust, therefore legally never able to be sold.

(9) In March of 2018, the Ascension Lutheran Church closed and turned its assets over to the Synod for management and disposition. Subsequently, the Synod entered into a contract to sell the property, which closed in October of 2018. Net proceeds from the sale amounted to \$464,856, resulting in a gain on the sale of \$455,433. Prior to the sale, additional costs of \$8,923 were incurred and capitalized in connection with holding and improving the property in the current year. All proceeds, less amounts owed back to the Synod for any related holding and improvement costs, were disbursed according to a legacy plan recommended by the Ascension Lutheran Church congregation.

(10) In May of 2018, the congregation of Holy Trinity voted to bring their congregation to a close and turned over their building to the Synod. The capitalized cost of \$23,916 represents costs incurred to make the necessary repairs and maintenance to prepare the property for sale.

(11) In 1971, the property at 16 Hampton Road, Glen Gardner, was sold by the New Jersey Synod of the Lutheran Church in America ("LCA") to the Glen Gardner Youth Association. A condition of the 1971 sale was that the property would revert to the Synod if use of the property did not continue as a youth center. Due to financial difficulties, the Glen Gardner Youth Association was unable to continue providing youth services and the land was transferred back to the Synod, which is the successor to the LCA. The capitalized cost of \$1,956 represents the costs incurred to secure the property.

(12) On March 1, 2019, the congregation of St. Stephen Evangelical Lutheran Church in Edison, New Jersey discontinued its ministry and turned its assets over to the Synod for management and disposition. The capitalized cost of \$3,000 represents the costs incurred to secure the property and settle liabilities.

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

**NOTES TO FINANCIAL STATEMENTS**

**10 - NET ASSETS WITH DONOR RESTRICTIONS**

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

<b>Purpose Restricted:</b>	<b>January 31, 2019</b>
Partners in Ministry: Designated Support	
Danish Children's Home – Endowment	\$ 926
Franklin Fry Chair – Endowment	43,082
Brueckner Outdoor Ministries – Endowment	474,357
Cross Roads Rental	2,020
Compensation Aid – Endowment	413,155
Candidacy - Endowment	245,095
Stewardship	4,589
Brauning Travel	22,241
Namibia Special	20,928
Global Mission Team	4,822
Immediate Response Disaster Fund	5,598
Total Partners in Ministry – Designated Support	1,236,813
Partners in Ministry - Mission Ministries:	
Transitional Ministries (Fund for Mission) – Endowment:	
North Plainfield Music	\$ 71,203
St. Luke Legacy	338,036
Handicap Access - Redeemer	26,642
Fund for Mission Legacy - Endowment	278,588
Fund for Mission, Advent Legacy	554,430
St. Mark Legacy	174,972
Total Partners in Ministry - Mission Ministries	1,443,871
Total - purpose restricted	2,680,684
<b>Endowment Funds - Perpetual in Nature:</b>	
Danish Children's Home	31,105
Transitional Ministries (Fund for Mission)	445,462
Total – perpetual in nature	476,567
Total net assets with donor restrictions	\$ 3,157,251

Investment income generated by the Danish Children's Home and Transitional Ministries (Fund for Mission) may be used only for donor-specified purposes.

**11 - 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 the Portico of the ELCA. The Synod contributes 12% based upon the plan agreement. The full current employer cost provided for under the plan was approximately \$76,000 for the year ended January 31, 2019.

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

### **NOTES TO FINANCIAL STATEMENTS**

#### **12 - 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**

**12 - EQUITY IN CROSS ROADS OUTDOOR MINISTRIES (Continued)**

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, 2019, the Synod's equity in Cross Roads Outdoor Ministries is comprised of the following:

	2019
Camp property improvements, net of accumulated depreciation	\$ 412,508
Camp reserve	250,000
Camp land	1,030,262
Camp land improvements	19,538
	<u>1,712,308</u>
Cumulative equity, share of earnings, beginning of year	55,984
Equity share of losses (see table below)	<u>(3,913)</u>
Cumulative equity, share of earnings, end of year	<u>\$ 1,764,379</u>

Summary financial information related to the Synod's equity interest in Cross Roads Outdoor Ministries for the year ended January 31, 2019 is presented as follows:

	2019
Total support and revenues	\$ 991,272
Total expenses	999,098
Change in net assets	(7,826)
Synod's percentage interest	x 50%
Synod's share of losses in Cross Roads Outdoor Ministries	<u>\$ (3,913)</u>

**13 - 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.



## NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

#### 13 - ENDOWMENT POLICY (Continued)

##### **Endowment Description and Interpretation of Relevant Law (Continued)**

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. Ten percent of all investments are to be invested with organizations that follow a socially oriented investment policy. 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**

**13 - ENDOWMENT POLICY (Continued)**

**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, 2019.

**Changes in Endowment Net Assets for the Year Ended January 31, 2019:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		
	<b>Board Designated</b>	<b>Purpose Restricted</b>	<b>Perpetual in Nature</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 3,968,226	\$ 2,019,124	\$ 476,567	\$ 6,463,917
Investment loss, net	(91,854)	(35,935)	-	(127,789)
Contributions	132,406	15,451	-	147,857
Endowment disbursements	(168,528)	(105,535)	-	(274,063)
Endowment net assets, end of year	\$ 3,840,250	\$ 1,893,105	\$ 476,567	\$ 6,209,922

**14 - CONTINGENT LIABILITIES AND RESTRICTED CASH**

To assist non-related ELCA congregations with the purchase of 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, 2019, there were no defaults under these arrangements.

As of January 31, 2019, the Synod was party to four tenant-in-common agreements. At January 31, 2019, total funds in reserve related to tenant-in-common agreements were \$107,144 and are reflected as restricted cash on the Statement of Financial Position.

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

**NOTES TO FINANCIAL STATEMENTS**

**14 - CONTINGENT LIABILITIES AND RESTRICTED CASH (Continued)**

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.

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

	Keys to Life Ministries	Holy Trinity Baptist Church	Muuango Seventh Day	Macedonia Baptist Church	Total
2020	\$31,982	\$14,492	\$33,190	\$25,249	\$104,913
2021	34,124	15,462	34,888	26,470	110,944
2022	36,409	16,498	36,673	27,750	117,330
2023	38,847	17,602	38,550	29,091	124,090
2024	41,449	18,781	40,522	30,498	131,250
Thereafter	280,460	259,333	525,809	490,160	1,555,762
<b>Total</b>	<b>\$463,271</b>	<b>\$342,168</b>	<b>\$709,632</b>	<b>\$629,218</b>	<b>\$2,144,289</b>

**15 - 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 12, 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 land improvements and therefore is 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.

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 lake bed. 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**15 - ENVIRONMENTAL REMEDIATION OBLIGATION (Continued)**

In April of 2018, a final estimate of \$413,112 was received by the Synod resulting in an \$8,917 recovery of previously accrued costs for the year ended January 31, 2019. The Synod paid \$131,475 for services related to the remediation restoration, resulting in a remediation liability of \$281,637 as of January 31, 2019. The project is estimated to be completed in June of 2019.