

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JANUARY 31, 2016 AND 2015

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
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YEARS ENDED JANUARY 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwestern Minnesota Synod of the Evangelical Lutheran Church in America (the Synod), which comprise the statements of financial position as of January 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Minnesota Synod as of January 31, 2016 and 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of temporarily restricted receipts and expenses, and the schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 10, 2016

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,911,404	\$ 1,132,791
Cash Held as Fiscal Agent	512,501	7,856
Investments	1,163,518	1,203,459
Accounts and Interest Receivable	8,983	17,695
Prepaid Expenses	<u>15,033</u>	<u>15,643</u>
Total Current Assets	3,611,439	2,377,444
PROPERTY AND EQUIPMENT		
Land	30,000	30,000
Buildings and Improvements	513,080	513,080
Furniture and Equipment	62,820	67,925
Transportation Equipment	<u>65,676</u>	<u>78,396</u>
Total Property and Equipment	671,576	689,401
Less: Accumulated Depreciation	<u>(352,294)</u>	<u>(342,169)</u>
Property and Equipment, Net	<u>319,282</u>	<u>347,232</u>
Total Assets	<u><u>\$ 3,930,721</u></u>	<u><u>\$ 2,724,676</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 28,713	\$ 11,090
Accounts Payable, ELCA Mission Funds	174,507	196,448
Accrued Expenses	17,506	18,343
Other Liabilities - Fiscal Agent	<u>12,501</u>	<u>7,856</u>
Total Current Liabilities	233,227	233,737
LONG-TERM LIABILITIES		
Other Liabilities - Fiscal Agent	500,000	-
NET ASSETS		
Unrestricted:		
Operating	1,174,920	852,831
Board Designated	875,232	918,239
Property and Equipment Designated	<u>319,282</u>	<u>347,232</u>
Total Unrestricted	2,369,434	2,118,302
Temporarily Restricted	<u>828,060</u>	<u>372,637</u>
Total Net Assets	<u><u>3,197,494</u></u>	<u><u>2,490,939</u></u>
Total Liabilities and Net Assets	<u><u>\$ 3,930,721</u></u>	<u><u>\$ 2,724,676</u></u>

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF ACTIVITIES
YEARS ENDED JANUARY 31, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support:						
Mission Support	\$ 1,866,515	\$ -	\$ 1,866,515	\$ 1,862,106	\$ -	\$ 1,862,106
Contributions and Bequests	425,980	1,099,899	1,525,879	77,645	608,375	686,020
Miscellaneous	23,911	-	23,911	21,478	-	21,478
Total Support	2,316,406	1,099,899	3,416,305	1,961,229	608,375	2,569,604
Revenue:						
Interest Income	39,023	-	39,023	36,030	-	36,030
Gains (Losses) on Investments	(81,505)	-	(81,505)	41,676	-	41,676
Registration Fees	255,862	-	255,862	237,302	-	237,302
Total Revenue	213,380	-	213,380	315,008	-	315,008
Net Assets Released from Restrictions	644,476	(644,476)	-	541,352	(541,352)	-
Total Support and Revenue	3,174,262	455,423	3,629,685	2,817,589	67,023	2,884,612
EXPENSES						
Program Services:						
ELCA Financial Support	979,920	-	979,920	977,773	-	977,773
Shared Ministries	221,216	-	221,216	248,221	-	248,221
Other Program Services	819,793	-	819,793	702,486	-	702,486
Total Program Services	2,020,929	-	2,020,929	1,928,480	-	1,928,480
Supporting Services:						
General and Administrative	133,846	-	133,846	132,574	-	132,574
Personnel	592,020	-	592,020	609,281	-	609,281
Leadership Support and Program	176,335	-	176,335	211,492	-	211,492
Total Supporting Services	902,201	-	902,201	953,347	-	953,347
Total Expenses	2,923,130	-	2,923,130	2,881,827	-	2,881,827
CHANGE IN NET ASSETS	251,132	455,423	706,555	(64,238)	67,023	2,785
Net Assets - Beginning	2,118,302	372,637	2,490,939	2,182,540	305,614	2,488,154
NET ASSETS - ENDING	<u>\$ 2,369,434</u>	<u>\$ 828,060</u>	<u>\$ 3,197,494</u>	<u>\$ 2,118,302</u>	<u>\$ 372,637</u>	<u>\$ 2,490,939</u>

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 706,555	\$ 2,785
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	28,623	26,543
Loss (Gain) on Investments	81,505	(41,676)
(Gain) Loss on Disposal of Property and Equipment	(4,239)	4,126
Changes in Operating Assets and Liabilities:		
Accounts and Interest Receivable	8,712	(17,476)
Prepaid Expenses	610	(50)
Accounts Payable	(4,318)	(11,742)
Accrued Expenses	(837)	3,187
Other Liabilities	504,645	7,856
Net Cash Provided (Used) by Operating Activities	<u>1,321,256</u>	<u>(26,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,634)	(16,154)
Proceeds on the Property and Equipment	5,200	-
Proceeds from Sale of Investments	35,318	55,960
Purchase of Investments	(76,882)	(63,942)
Net Cash Used by Investing Activities	<u>(37,998)</u>	<u>(24,136)</u>
INCREASE (DECREASE) IN CASH	1,283,258	(50,583)
Cash - Beginning of Year	<u>1,140,647</u>	<u>1,191,230</u>
CASH - END OF YEAR	<u><u>\$ 2,423,905</u></u>	<u><u>\$ 1,140,647</u></u>

See accompanying Notes to Financial Statements.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southwestern Minnesota Synod of the Evangelical Lutheran Church in America (the Synod) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization

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

Basis of Accounting

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

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. These unrestricted net assets are broken up into three categories: operating, board designated, and property and equipment designated. The board designated net assets have been designated by the board for various uses. The property and equipment designated net assets are made up of the ending property and equipment balance. The operating net assets are the remaining unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Synod and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash

Cash consists of demand and savings deposits with banks. At times such deposits may be in excess of FDIC insurance limits.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Property and Equipment

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

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

Depreciation is computed using the straight-line method over the expected useful life of the individual asset. Depreciation expense was \$28,623 and \$26,543 for the years ended January 31, 2016 and 2015, respectively.

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

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

Sabbaticals

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

Fiscal Agent

The Synod is the fiscal agent for a new church. The Synod administers all disbursements and keeps track of the accounting for the new church based off of an agreement with the ELCA. The Synod maintains a separate cash account to track the cash receipts and disbursements for the church. Any net assets related to the church after the end of the fiscal agent agreement will be paid to the church.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Payable – ELCA Mission Support

The Synod receives contributions from churches and remits 52.5% of all mission support contributions to the ELCA. At the end of the year, the Synod had collected contributions from member congregations and on the Synod's Statements of Financial Position reflects the liability for the unremitted ELCA portion.

Donated Services

The Synod received a substantial amount of services donated by individuals interested in the Synod's missions. The kinds of services provided generally involve the contribution of time to various Synod committees. No amounts for contributed services have been reflected in the accompanying financial statements since the services do not meet accounting standards criteria for recognition. The criteria require that donated services create or enhance financial assets, require specialized skills which would be purchased if not donated and have an objective basis for measurement.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Income Tax Status

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

The Synod has determined that it has no uncertain tax positions as of January 31, 2016. Generally, the Synod's position on the taxability of transactions is open for review for up to six years.

Fair Value Measurements

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

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

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

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

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

Accounting standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Synod has elected to measure financial instruments at cost where allowed unless specifically elected by the Synod to be measured at fair value. The Synod has elected to measure investments in the ELCA Endowment Fund Pooled Trust Fund A at fair value. The Synod may elect to measure newly acquired financial instruments at fair value in the future. Refer to Note 4 for the table of fair value measurements.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Synod has evaluated events and transactions for potential recognition or disclosure in these financial statements through May 10, 2016, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the January 31, 2015 financial statements in order to present them in conformity with the January 31, 2016 financial statements. These reclassifications had no effect on total net assets as previously stated.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 2 INVESTMENTS

Investments at January 31, 2016 and 2015 consisted of:

	<u>2016</u>	<u>2015</u>
ELCA Endowment Fund Pooled Trust Fund A	\$ 852,732	\$ 895,239
Mission Investment Fund of the ELCA:		
Savings Accounts	146,885	145,785
Certificates of Deposit (Variable Interest Rate)	163,901	162,435
Total	<u>\$ 1,163,518</u>	<u>\$ 1,203,459</u>

Endowment Fund "A," of the ELCA Endowment Fund Pooled Trust, was established to allow for the collective long-term investment of funds belonging to the Evangelical Lutheran Church in America (ELCA), its congregations, synods, seminaries and other eligible affiliated entities. Fund A is administered by the ELCA. ELCA Endowment Fund Pooled Trust Fund A's target asset allocation is 35% U.S. Equity, 25% non-U.S. equities, 15% investment grade fixed income, 5% inflation-indexed bonds, 10% high yield and 10% global real estate securities.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of January 31, 2016:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
ELCA Endowment Fund Pooled Trust Fund A	\$ 852,732	\$ -	Daily	Same Day

NOTE 3 LINE OF CREDIT

The Synod had an unsecured line of credit for \$170,000 that expired on September 10, 2015.

NOTE 4 FAIR VALUE MEASUREMENTS

The Synod uses fair value measurements to record fair value adjustments to certain investments and to determine fair value disclosures. In determining the appropriate levels, the Synod performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs, are classified as Level 3.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at January 31, 2016 and 2015:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ELCA Endowment Fund Pooled Trust Fund A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852,732</u>	<u>\$ 852,732</u>
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ELCA Endowment Fund Pooled Trust Fund A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 895,239</u>	<u>\$ 895,239</u>

Financial instruments classified as Level 3 in the fair value hierarchy represent the Synod's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments, the ELCA Endowment Fund Pooled Trust A for the years ended January 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	<u>\$ 895,239</u>	<u>\$ 832,174</u>
Investment Income:		
Interest Income	34,612	31,833
Net Realized and Unrealized Gains	<u>(81,505)</u>	<u>41,676</u>
Total Investment Income	<u>(46,893)</u>	<u>73,509</u>
Additions to Investment	39,704	29,449
Withdrawals from Investment	<u>(35,318)</u>	<u>(39,893)</u>
Balance at End of Year	<u>\$ 852,732</u>	<u>\$ 895,239</u>

NOTE 5 ENDOWMENT

The Synod's endowment consists of funds designated by the Synod Council to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Synod Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All endowment funds of the Synod are included in unrestricted net assets.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 5 ENDOWMENT (CONTINUED)

Endowment net assets for the years ended January 31, 2016 and 2015 are as follows:

	Board Designated (Unrestricted)	
	2016	2015
Endowment Net Assets - Beginning of Year	\$ 895,239	\$ 832,174
Investment Income:		
Interest and Dividend Income	34,612	31,833
Net Realized and Unrealized Gains	(81,505)	41,676
Net Investment Income	(46,893)	73,509
Board Additions to Endowment Funds	39,704	29,449
Appropriations of Endowment Assets	(35,318)	(39,893)
Endowment Net Assets - End of Year	<u>\$ 852,732</u>	<u>\$ 895,239</u>

Investment Objectives and Strategies

The Synod has adopted an investment policy to invest all endowment funds in the ELCA Endowment Fund Pooled Trust Fund A. Fund A is structured to provide participants with a stable, quarterly stream of distributable investment income (comprised of interest, dividends and capital gains realized by the Fund) that grows over time approximately in line with the expected long-term rate of inflation. The Fund also seeks to provide participants with long-term capital appreciation.

Spending Policy

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

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaled \$820,277 and \$372,637 at January 31, 2016 and 2015, respectively, and are all purpose-restricted for various missions and activities of the Synod.

Net assets of \$644,476 and \$541,352 were released during 2016 and 2015, respectively, from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015**

NOTE 7 BENEFIT PLAN

The Synod has adopted a defined contribution program through Portico Benefit Services, including component plans for retirement, major medical and disability benefits, that covers all full-time employees working at least 20 hours per week. The Synod contributions are based upon a percentage of the covered employees' defined compensation. Contributions during 2016 and 2015 were \$155,796 and \$156,520, respectively.

NOTE 8 OPERATING LEASES

The Synod leases various office equipment with leases expiring through February 2017. Rental expense for the years ended January 31, 2016 and 2015 was approximately \$7,700 and \$6,800, respectively. Future minimum lease payments are as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
2017	\$ 8,314
2018	3,287
2019	2,076
Total	<u>\$ 13,677</u>

NOTE 9 OTHER LIABILITIES – FISCAL AGENT

On November 1, 2015, the Synod was awarded a \$1,000,000 grant purposed for “equipping faithful stewards”. Terms of the grant require the Synod to serve as fiscal agent and take responsibility for distributing \$500,000 of the grant to the New Jersey Synod. As of January 31, 2016, none of the funds have been distributed. Accordingly, in the Synod's Statements of Financial Position, the New Jersey Synod portion is included in Other Liabilities – Fiscal Agent.

NOTE 10 COMMITMENTS

The Synod has entered into a contract for future consulting services. At January 31, 2016, there is approximately \$44,000 committed and will be paid as the services have been performed.

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF TEMPORARILY RESTRICTED RECEIPTS AND EXPENSES
YEAR ENDED JANUARY 31, 2016**

	Net Assets January 31, 2015	Receipts	Releases	Net Assets January 31, 2016
ELCA World Hunger	\$ -	\$ 187,239	\$ (187,239)	\$ -
ELCA Mission Sponsorship	-	175,066	(175,066)	-
ELCA Global Missions	-	11,061	(11,061)	-
ELCA Misc	-	1,620	(1,620)	-
Synod Youth Offerings	-	2,880	(2,880)	-
Disaster Relief	8,793	10,300	(4,300)	14,793
SWMN Global Missions	7,075	2,783	(6,200)	3,658
SWMN Restricted	1,800	3,598	(3,898)	1,500
Evangelism Grant	9,995	-	-	9,995
Synod Recon Ministry	6,473	-	(1,779)	4,694
SWMN American Missions	9,313	2,719	(11,000)	1,032
Missionary in Residence	371	-	-	371
Conferences/Circuits	66,182	46,349	(104,956)	7,575
S Africa Children Scholarship	4,394	-	-	4,394
Child in our Hands/Vibrant Faith	5,431	-	-	5,431
Paz y Esperanza	-	1,000	(1,000)	-
Rural Ministry	13,203	867	(4,217)	9,853
Good Samaritan Fund	2,785	1,407	(2,017)	2,175
Rural Ministry Debt Reduction	6,955	-	(6,955)	-
Book of Faith Initiative	3,232	-	-	3,232
Macedonia Project	4,708	-	(1,361)	3,347
Wellness Dollars	49,675	23,967	(15,561)	58,081
Seminarian Scholarships to be Distributed	11,136	30,800	(41,936)	-
Partners in Worship	1,050	2,000	(2,000)	1,050
Theological Conference Offering	-	1,107	(1,107)	-
WH Volunteer Support Grant	638	-	-	638
FLS Scholarship Aid-Seminarians	41,662	34,524	-	76,186
FLS Student Loan Repayments	63,042	25	-	63,067
FLS Pension Equity	45,682	205	(5,490)	40,397
Companion Synod Implementation	955	-	(955)	-
Ministry Development	8,141	-	(6,550)	1,591
Hunger Packing	-	18,555	(18,555)	-
Gift Shepherd Grant	-	10,000	-	10,000
Lilly Planning Grant	(54)	26,827	(26,773)	-
Lilly Implementation Grant	-	500,000	-	500,000
Global Missions	-	5,000	-	5,000
	<u>\$ 372,637</u>	<u>\$ 1,099,899</u>	<u>\$ (644,476)</u>	<u>\$ 828,060</u>

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF TEMPORARILY RESTRICTED RECEIPTS AND EXPENSES
YEAR ENDED JANUARY 31, 2015**

	Net Assets January 31, 2014	Receipts	Releases	Net Assets January 31, 2015
ELCA World Hunger	\$ -	\$ 199,969	\$ (199,969)	\$ -
ELCA Mission Sponsorship	-	173,525	(173,525)	-
ELCA Global Missions	-	6,478	(6,478)	-
ELCA Misc	-	3,053	(3,053)	-
Synod Youth Offerings	-	2,779	(2,779)	-
Disaster Relief	8,793	-	-	8,793
SWMN Global Missions	9,475	-	(2,400)	7,075
SWMN Restricted	3,000	9,062	(10,262)	1,800
Evangelism Grant	9,995	-	-	9,995
Synod Recon Ministry	7,400	-	(927)	6,473
SWMN American Missions	14,444	284	(5,415)	9,313
Missionary in Residence	469	-	(98)	371
Conferences/Circuits	-	81,785	(15,603)	66,182
Travel to South Africa	4,394	-	-	4,394
Multicultural Ministry	7,855	-	(7,855)	-
Child in our Hands/Vibrant Faith	5,804	-	(373)	5,431
Paz y Esperanza	-	1,000	(1,000)	-
Rural Ministry	14,716	-	(1,513)	13,203
Elderberries	82	-	(82)	-
Stewardship Projects	3,271	-	(3,271)	-
Good Samaritan Fund	2,819	614	(648)	2,785
Rural Ministry Debt Reduction	13,904	-	(6,949)	6,955
Book of Faith Initiative	2,907	325	-	3,232
Macedonia Project	7,046	611	(2,949)	4,708
Wellness Dollars	43,367	26,794	(20,486)	49,675
Seminarian Scholarships to be Distributed	-	36,422	(25,286)	11,136
Partners in Worship	50	1,000	-	1,050
Plunge Event	6,144	6,873	(13,017)	-
Assembly Offering	-	27,744	(27,744)	-
Theological Conference Offering	-	607	(607)	-
WH Volunteer Support Grant	818	-	(180)	638
FLS Scholarship Aid-Seminarians	38,117	3,545	-	41,662
FLS Student Loan Repayments	37,716	25,326	-	63,042
FLS Pension Equity	45,103	579	-	45,682
Companion Synod Implementation	4,839	-	(3,884)	955
Ministry Development (New Acct)	13,086	-	(4,945)	8,141
Lily Grant	-	-	(54)	(54)
	<u>\$ 305,614</u>	<u>\$ 608,375</u>	<u>\$ (541,352)</u>	<u>\$ 372,637</u>

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED JANUARY 31, 2016 AND 2015**

	2016	2015
GENERAL ADMINISTRATION		
Postage	\$ 3,671	\$ 4,179
Insurance Expense	11,577	11,580
Staff Travel and Conferences	15,150	14,005
Repairs and Maintenance	17,934	21,323
Tech Support	6,808	5,460
Telephone/Internet	9,213	8,362
Accounting, Audit and Legal Fees	11,709	11,446
Utilities	6,101	6,150
Supplies	5,990	6,290
Equipment Lease	7,731	6,782
Miscellaneous	3,725	7,906
Depreciation	28,623	26,543
Office Equipment	5,059	1,821
Training and Development Expense	555	727
Total General Administration	<u>\$ 133,846</u>	<u>\$ 132,574</u>
PERSONNEL		
Salaries and Housing Allowance	\$ 394,875	\$ 411,153
Pensions, Major Medical and Disability	155,796	156,520
Social Security	28,084	31,381
Continuing Education	7,058	6,710
Workers Compensation	3,303	2,962
Payroll Expense	329	555
Other Staff Expense	2,575	-
Total Personnel	<u>\$ 592,020</u>	<u>\$ 609,281</u>
LEADERSHIP, SUPPORT, AND PROGRAM		
Meetings and Programs	\$ 2,861	\$ 4,114
Candidacy	13,660	11,236
Region 3	17,280	17,280
Support Ministry	984	403
Companion Synod Visitor Exchange	1,756	6,047
Youth Ministry - Other	104	340
First Call Theological Education	4,879	19,568
Publication/Communications	4,034	4,546
Counseling Services	1,082	723
Program Development	3,000	10,000
Multi-Cultural Ministry	6,618	4,262

**SOUTHWESTERN MINNESOTA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED JANUARY 31, 2016 AND 2015**

	2016	2015
LEADERSHIP, SUPPORT, AND PROGRAM (CONTINUED)		
Thrivent Grant Expense	-	3,986
DEM Support Expense	2,579	2,852
Youth Board	4,952	4,733
Senior High Youth Gathering	28,377	22,800
Junior High Youth Gathering	46,533	47,202
Planned Giving	9,000	10,322
SEM Student Debt Reduction Payments	9,308	8,429
SEM Grad/Assignee Expense	24	2,216
Stewardship	-	1,457
Theological Conf Expense	18,248	28,436
Youth Workers Retreat Expense	1,056	540
Total Leadership, Support, and Program	<u>\$ 176,335</u>	<u>\$ 211,492</u>
SHARED MINISTRIES		
Lutheran Campus Ministries	\$ 115,475	\$ 129,447
Luther Seminary	81,628	91,643
ELCA Colleges/Region III and V	2,212	2,458
Minnesota Council of Churches	13,495	15,017
Lutheran Coalition for Public Center	7,300	8,191
Shalom Hill Farm	1,106	1,465
Total Shared Ministries	<u>\$ 221,216</u>	<u>\$ 248,221</u>
OTHER PROGRAM SERVICES		
Synod Assembly	\$ 118,933	\$ 109,777
Other Programs	700,860	592,709
Total Other Program Services	<u>\$ 819,793</u>	<u>\$ 702,486</u>