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**SOUTHWESTERN MINNESOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
REDWOOD FALLS, MINNESOTA**

**AUDIT REPORT  
FOR THE YEAR ENDED  
JANUARY 31, 2010**

**DUANE W. SENGER  
CERTIFIED PUBLIC ACCOUNTANT  
OLIVIA, MINNESOTA**

Southwestern Minnesota Synod  
Evangelical Lutheran Church in America  
Redwood Falls, Minnesota

Audit Report  
For the year ended January 31, 2010

Table of Contents

	Page
<i>Financial Section</i>	
Independent Auditor's Report	1
Statement of Financial Position – Exhibit A	2
Statement of Activities – Exhibit B	3
Statement of Cash Flows – Exhibit C	4
Notes to Financial Statements	5-8
<i>Supplemental Information</i>	
Schedule of Temporarily Restricted Contributions and Bequests – Schedule 1	9-10
Schedule of Program Expenses – General Activities – Schedule 2	11
Schedule of Schedule of Supporting Services – General Activities – Schedule 3	12

SOUTHWESTERN MINNESOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
STATEMENTS OF FINANCIAL POSITION  
JANUARY 31, 2010 AND 2009

EXHIBIT A

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents (Note 2)	\$1,247,276	\$1,214,767
Investments (Note 4)	419,886	337,783
Interest receivable	169	149
Prepaid expenses	<u>5,336</u>	<u>4,507</u>
Total Current Assets	<u>\$1,672,667</u>	<u>\$1,557,206</u>
Fixed Assets:		
Land, buildings, equipment and vehicles -net (Note 5)	<u>\$396,890</u>	<u>\$411,976</u>
Total Assets	<u>\$2,069,557</u>	<u>\$1,969,182</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expense	(\$778)	(\$1,110)
Current portion of long-term notes	<u>0</u>	<u>5,261</u>
Total Current Liabilities	<u>(\$778)</u>	<u>\$4,151</u>
Long-Term Liabilities:		
Notes payable, net of current portion	<u>0</u>	<u>4,220</u>
Other Liabilities:		
Lutheran Men in Mission agency fund	30,409	29,873
Shalom Hill agency fund	<u>89,296</u>	<u>67,464</u>
Total Liabilities	<u>118,927</u>	<u>105,708</u>
Net Assets:		
Unrestricted:		
Operating	\$637,453	\$550,141
Board Designated	533,482	533,380
Fixed Assets	<u>396,890</u>	<u>411,976</u>
Total Unrestricted	<u>\$1,567,825</u>	<u>\$1,495,497</u>
Temporarily restricted (Note 7)	<u>382,805</u>	<u>\$367,977</u>
Total Net Assets	<u>\$1,950,630</u>	<u>\$1,863,474</u>
Total Liabilities and Net Assets	<u>\$2,069,557</u>	<u>\$1,969,182</u>

See accompanying notes to financial statements.

SOUTHWESTERN MINNESOTA SYNOD  
 EVANGELICAL LUTHERAN CHURCH IN AMERICA  
 STATEMENT OF ACTIVITIES  
 FOR THE YEARS ENDED JANUARY 31, 2010 AND 2009

EXHIBIT B

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u> <u>2010</u>	<u>2009</u>
<b>Support and Revenue:</b>				
Mission support	\$2,254,200	\$0	\$2,254,200	\$2,330,526
Contributions and bequests	107,496	647,253	754,749	902,289
Investment Income	31,935	0	31,935	29,601
Unrealized gains (losses) on investments	68,267	0	68,267	-116,014
ELCA shared staff support	0	0	0	30,220
Registration fees	148,257	0	148,257	135,162
Miscellaneous	<u>4,293</u>	<u>0</u>	<u>4,293</u>	<u>5,556</u>
Total Support and Revenue	<u>\$2,614,448</u>	<u>\$647,253</u>	<u>\$3,261,701</u>	<u>\$3,317,340</u>
<b>Expenses:</b>				
<b>Program Services:</b>				
ELCA financial support	1,182,179	0	1,182,179	1,223,526
Shared ministries	329,136	0	329,136	348,342
Other program services	<u>159,125</u>	<u>632,425</u>	<u>791,550</u>	<u>915,246</u>
Total Program Services	<u>1,670,440</u>	<u>632,425</u>	<u>2,302,865</u>	<u>2,487,114</u>
<b>Supporting Services:</b>				
General administration	126,321	0	126,321	141,412
Personnel	660,578	0	660,578	684,616
Leadership, support and program	<u>38,625</u>	<u>0</u>	<u>38,625</u>	<u>50,135</u>
Total Supporting Services	<u>825,524</u>	<u>0</u>	<u>825,524</u>	<u>876,163</u>
Total Expenses	<u>2,495,964</u>	<u>632,425</u>	<u>3,128,389</u>	<u>3,363,277</u>
Changes in Net Assets	<u>\$118,484</u>	<u>\$14,828</u>	<u>\$ 133,312</u>	<u>\$ (45,937)</u>

See accompanying notes to financial statements.

SOUTHWESTERN MINNESOTA SYNOD  
 EVANGELICAL LUTHERAN CHURCH IN AMERICA  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JANUARY 31, 2010 AND 2009

EXHIBIT C

	<u>2010</u>	<u>2009</u>
Cash Flows Provided by (Used for) Operating Activities:		
Changes in Net Assets	\$118,484	(\$45,937)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	25,515	26,019
Unrealized (gains) losses on investments	68,267	-116,014
(Increase) decrease in interest receivable	-20	29
(Increase) decrease in prepaid expenses	-829	4,657
Increase (decrease) in accounts payable and accrued expenses	<u>-1,909</u>	<u>2,310</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$209,508</u>	<u>(\$128,936)</u>
Cash Flows Provided by (Used for) Investing Activities:		
Purchase (disposal) of fixed assets	-14,529	-16,129
Purchase (sale) of investments	<u>-158,250</u>	<u>132,022</u>
Net Cash Provided by (Used for) Investing Activities	<u>-172,779</u>	<u>115,893</u>
Cash Flows Provided by (Used for) Financing Activities:		
Proceeds from long-term debt	0	0
Principal payments	<u>-4,220</u>	<u>-4,807</u>
Net Cash Provided by (Used for) Financing Activities	<u>-4,220</u>	<u>-4,807</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,509	-17,850
Cash and Cash Equivalents, Beginning of Year	<u>1,214,767</u>	<u>1,232,617</u>
Cash and Cash Equivalents, End of Year	<u>1,247,276</u>	<u>1,214,767</u>
 SUPPLEMENTAL DATA		
Interest Paid	<u>149</u>	<u>1,014</u>

See accompanying notes to financial statements.

SOUTHWESTERN MINNESOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2010

*Note 1 – Summary of Significant Accounting Principles*

The financial statements of the Southwestern Minnesota Synod of the Evangelical Lutheran Church of 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.

**A. Organization**

The Synod was incorporated on March 1, 1986. It was formed as a result of a merger involving 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.

**B. Basis of Presentation**

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. 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.

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 the 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.

**C. Income Tax Status**

The Synod was organized as a religious organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Because of this exemption, no provision for income taxes has been established.

**D. Fixed Assets**

Fixed assets 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.

SOUTHWESTERN MINNESOTA SYNOD  
 EVANGELICAL LUTHERAN CHURCH IN AMERICA  
 NOTES TO FINANCIAL STATEMENTS  
 JANUARY 31, 2010

Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Expenditures for major additions, improvements, replacements and major renewals are capitalized and deductions are made for retirements resulting from the replacements and renewals.

For accounting purposes, depreciation is computed by the straight-line method for all fixed assets. Depreciation expense was \$ 25,515\$ 26,019 for the years ending January 31, 2010 and 2009, respectively.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended January 31, 2008, from which the summarized information was derived.

*Note 2 – Cash Equivalents*

For purposes of the statement of cash flows, the Synod considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents as of January 31, 2009, consisted of:

Checking – general	\$ 302,574
Checking – temporarily restricted	291,286
Savings – holding	216,601
Certificate of deposit	152,783
ELCA mission investments	279,134
Companion Synod investments	<u>4,898</u>
 Total	 <u>\$ 1,247,276</u>

*Note 3 – Concentration of Credit Risk*

The Synod receives a majority of its support from member churches located in southwestern Minnesota.

SOUTHWESTERN MINNESOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2010

The Synod normally has no accounts receivable.

The Synod maintains bank accounts at two banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 at each bank. As of January 31, 2010 deposits at these institutions were as follows:

	MinnWest	Bremer
Total deposits	\$ 810,461	\$ 152,783
FDIC Insurance	<u>-250,000</u>	<u>152,783</u>
Excess deposits	\$ 560,461	\$ -0-

MinnWest Bank assures that the excess deposits are protected.

*Note 4 – Investments*

Investments as of January 31, 2009, consisted of:

	Fair & Carrying Value
Investments – Short-Term	<u>\$284,032</u>
Investments – Long-Term	<u>\$419,886</u>

*Note 5 – Fixed Assets*

	<u>1/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>1/31/10</u>
Redwood Falls land & buildings	\$543,080	\$ -	\$ -	\$543,080
Office equipment	85,652	21	-	85,673
Office furniture	51,771	-	-	51,771
Vehicles	<u>57,192</u>	<u>7,973</u>	<u>22,523</u>	<u>42,642</u>
Totals	\$ 737,695	\$ 7,994	\$ 22,523	\$723,166
Less – Accumulated depreciation	<u>(325,719)</u>			<u>(326,276)</u>
Net Fixed Assets	\$ 411,976			\$396,890

*Note 6 – Net Assets Released from Restrictions*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended January 31, 2010, totaling \$ 632,425.

*Note 7 – Temporarily Restricted Net Assets*

Temporarily restricted net assets totaling \$ 382,805 at January 31, 2010, are listed in Schedule 1

SOUTHWESTERN MINNESOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 2010

of the Supplemental Information.

*Note 8 – 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.

*Note 9 – Donated Services*

The Synod receives a substantial amount of services donated by individuals interested in the Synod's mission. The kinds of services provided generally involve the contribution of time to various Synod committees. Because of the difficulty in assigning values for such services, donated services are not reflected in the accompanying financial statements.

*Note 10 – Pension Plan*

The Synod has adopted a defined contribution pension plan, including major medical disability benefits, through the ELCA Board of Pensions, covering substantially all of its full-time employees. The Synod contributes to the plan based upon a percentage of the covered employees defined compensation.

*Note 11 – Risk Management – Claims and Judgments*

The Synod carries commercial insurance to cover any significant losses that may occur including the following types of events: torts, theft of and damage to assets, errors and omissions and employee injuries.

*Note 12 – Compensated Absences*

Synod Ministers: Receive four weeks of vacation per year. The vacation days vest after the year is completed. They are allowed two months of sick leave per year, and may be granted a three month sabbatical after five years of service.

Support Staff: Receive ten days of vacation after one year, fifteen days after four years and four weeks after eight years. Sick leave is earned at the rate of one day per month and may accumulate to sixty days.

The Synod does not record a liability for compensated absences because the amount is not material.

*Note 13 – Litigation*

The Synod has been named as a co-defendant in a discrimination lawsuit. The Synod's attorney feels the Synod's responsibility will be dismissed. Therefore, no contingent liability is recorded in these financial statements.