

**Nebraska Synod of the
Evangelical Lutheran Church in America
Omaha, Nebraska**

**Financial Statements and Supplementary Information
January 31, 2018 and 2017**

Together with Independent Auditor's Report

**Nebraska Synod of the
Evangelical Lutheran Church in America**

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Independent Auditor's Report

To the Council
Nebraska Synod of the
Evangelical Lutheran Church in America
Omaha, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of the Nebraska Synod of the Evangelical Lutheran Church in America (the Synod), which comprise the statements of financial position as of January 31, 2018 and 2017, 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 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.

Auditor's 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. These 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of January 31, 2018 and 2017, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Exhibits 1 and 2 is presented for purposes of additional analysis and is 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 supplementary information in Exhibits 1 and 2 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Spim Johnson, LLP

Omaha, Nebraska,
July 26, 2018.

**Nebraska Synod of the
Evangelical Lutheran Church in America**

**Statements of Financial Position
January 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 503,711	776,477
Other receivables	57,497	56,009
Current portion of notes receivable	11,047	10,509
Prepaid expenses	<u>12,650</u>	<u>4,598</u>
Total current assets	584,905	847,593
Investments, including assets limited as to use	4,327,835	4,008,148
Property and equipment, net	476,170	521,348
Notes receivable, net of current portion	379,468	398,448
Other long-term receivable	<u>92,316</u>	<u>92,316</u>
Total assets	<u>\$ 5,860,694</u>	<u>5,867,853</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 22,662	209,888
Payable to affiliated organizations	340,181	383,621
Accrued expenses	175,006	44,065
Deferred revenue	<u>16,007</u>	<u>2,641</u>
Total current liabilities	<u>553,856</u>	<u>640,215</u>
Commitments and contingencies		
Net assets:		
Unrestricted	2,930,877	3,022,152
Unrestricted - Council designated	1,475,009	1,257,562
Temporarily restricted	880,602	934,247
Permanently restricted	<u>20,350</u>	<u>13,677</u>
Total net assets	<u>5,306,838</u>	<u>5,227,638</u>
Total liabilities and net assets	<u>\$ 5,860,694</u>	<u>5,867,853</u>

See notes to financial statements

Nebraska Synod of the Evangelical Lutheran Church in America

**Statements of Activities
For the Year Ended January 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:				
Church support - mission share	\$ 3,308,239	--	--	3,308,239
LPGS membership fees	263,936	--	--	263,936
Gifts, grants, events and expense reimbursements	738,504	1,252,809	6,581	1,997,894
Investment income, net	131,347	158	92	131,597
Other income	48,599	--	--	48,599
Net assets released from restrictions	1,306,612	(1,306,612)	--	--
Total revenue and other support	<u>5,797,237</u>	<u>(53,645)</u>	<u>6,673</u>	<u>5,750,265</u>
EXPENSES:				
ELCA churchwide ministries	1,788,451	--	--	1,788,451
Operating expenses	2,175,768	--	--	2,175,768
Grants and program expenses	1,852,561	--	--	1,852,561
Depreciation	46,378	--	--	46,378
Total expenses	<u>5,863,158</u>	<u>--</u>	<u>--</u>	<u>5,863,158</u>
REVENUE AND OTHER SUPPORT OVER (UNDER) EXPENSES	(65,921)	(53,645)	6,673	(112,893)
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON OTHER THAN TRADING SECURITIES	<u>192,093</u>	<u>--</u>	<u>--</u>	<u>192,093</u>
CHANGE IN NET ASSETS	126,172	(53,645)	6,673	79,200
NET ASSETS, beginning of year	<u>4,279,714</u>	<u>934,247</u>	<u>13,677</u>	<u>5,227,638</u>
NET ASSETS, end of year	<u>\$ 4,405,886</u>	<u>880,602</u>	<u>20,350</u>	<u>5,306,838</u>

See notes to financial statements

Nebraska Synod of the Evangelical Lutheran Church in America

**Statements of Activities (Continued)
For the Year Ended January 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:				
Church support - mission share	\$ 3,382,704	--	--	3,382,704
LPGS membership fees	275,764	--	--	275,764
Gifts, grants, events and expense reimbursements	700,516	1,085,068	--	1,785,584
Investment income, net	103,183	162	--	103,345
Other income	64,580	--	--	64,580
Net assets released from restrictions	1,109,070	(1,109,070)	--	--
Total revenue and other support	<u>5,635,817</u>	<u>(23,840)</u>	<u>--</u>	<u>5,611,977</u>
EXPENSES:				
ELCA churchwide ministries	1,824,038	--	--	1,824,038
Operating expenses	2,126,018	--	--	2,126,018
Grants and program expenses	1,702,776	--	--	1,702,776
Depreciation	36,239	--	--	36,239
Total expenses	<u>5,689,071</u>	<u>--</u>	<u>--</u>	<u>5,689,071</u>
REVENUE AND OTHER SUPPORT UNDER EXPENSES	(53,254)	(23,840)	--	(77,094)
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON OTHER THAN TRADING SECURITIES	<u>68,514</u>	<u>--</u>	<u>--</u>	<u>68,514</u>
CHANGE IN NET ASSETS	15,260	(23,840)	--	(8,580)
NET ASSETS, beginning of year	<u>4,264,454</u>	<u>958,087</u>	<u>13,677</u>	<u>5,236,218</u>
NET ASSETS, end of year	<u>\$ 4,279,714</u>	<u>934,247</u>	<u>13,677</u>	<u>5,227,638</u>

See notes to financial statements

**Nebraska Synod of the
Evangelical Lutheran Church in America**

**Statements of Cash Flows
For the Years Ended January 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 79,200	(8,580)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities -		
Depreciation	46,378	36,239
Change in net unrealized gains and losses on other than trading securities	(192,093)	(68,514)
(Increase) decrease in current assets -		
Other receivables	(1,488)	80,240
Prepaid expenses	(8,052)	(2,604)
Increase (decrease) in current liabilities -		
Accounts payable	(187,226)	166,782
Payable to affiliated organizations	(43,440)	99,667
Accrued expenses	130,941	(2,481)
Deferred revenue	13,366	(13,996)
	<u>(162,414)</u>	<u>286,753</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,200)	(44,964)
Purchases of investments, net	(127,594)	(134,206)
	<u>(128,794)</u>	<u>(179,170)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments received on notes receivable	18,442	15,172
Increase in other long-term receivable, net	--	(7,845)
	<u>18,442</u>	<u>7,327</u>
Net cash provided by financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(272,766)	114,910
CASH AND CASH EQUIVALENTS - beginning of year	<u>776,477</u>	<u>661,567</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 503,711</u>	<u>776,477</u>

See notes to financial statements

Nebraska Synod of the Evangelical Lutheran Church in America

Notes to Financial Statements January 31, 2018 and 2017

(1) Description of Organization and Summary of Significant Accounting Policies

The following is a description of the organization and a summary of significant accounting policies of the Nebraska Synod of the Evangelical Lutheran Church in America. These policies are in accordance with accounting principles generally accepted in the United States of America.

A. *Organization*

The financial statements include the accounts of the following:

- Nebraska Synod of the Evangelical Lutheran Church in America (Synod)
- Lutheran Planned Giving Services Nebraska Synod Agencies and Institutions (LPGS), an unincorporated agency of the Synod

The Synod is a Nebraska non-profit corporation located in Omaha, Nebraska, and operates under the governance of the Evangelical Lutheran Church in America (the Church). The Synod provides pastoral care, leadership, discipline and support services to its member congregations and ministry leaders. In addition, it partners with its member congregations to assist them in the development of programs to further the Church's mission.

LPGS has been established as an unincorporated agency association of the Synod. LPGS' primary function is to build financial support for the ministries of the Synod and promote the Synod's affiliated church-related agencies and institutions. This is accomplished by: (a) interpreting to congregations' estate planning and planned giving programs and identifying individuals who may be interested in those programs, (b) assisting institutions and agencies of the Synod in developing their respective planned giving programs, and (c) generally coordinating cooperative efforts in planned giving among the agencies and institutions of the Synod.

The financial statements do not include the accounts of individual member churches, which are operated by local congregations. When member congregations cease operations, title to their property is transferred to the Synod at its appraised value.

B. *Basis of Accounting*

The Synod prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

C. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. *Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less excluding cash equivalents included in investment accounts.

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E. Investments

Investments in equity and debt securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income and realized gains and losses on investment transactions are included in excess of revenue and other support over (under) expenses unless the income or loss is restricted by donor or law. Unrealized gains on investments are excluded from the excess of revenue and other support over (under) expenses unless the investments are trading securities.

The Synod also holds an investment in a pooled investment trust. This investment has a fair value that is determined using net asset value (NAV). NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

F. Assets Limited as to Use

Assets limited as to use include assets set aside by the Council for use by Council designated programs. Assets limited as to use also include assets restricted as to use by donors.

G. Property and Equipment

Property and equipment acquisitions are recorded at cost and capitalized if greater than \$500. Depreciation is computed using the straight-line method based upon useful lives of each class of depreciable asset as follows:

Transportation equipment	2 – 3 years
Furniture and equipment	3 – 7 years
Building and improvements	5 – 40 years

Gifts and transfers of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from revenue and other support over (under) expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts and transfers of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

H. Deferred Revenue

Deferred revenue represents revenue received in 2018 and 2017 fiscal years to fund future program activities.

I. Net Assets

The Synod maintains the following classes of net assets:

- *Unrestricted* – Represents net assets that are not subject to donor-imposed restrictions.
- *Unrestricted – Council Designated* – Represents net assets subject to council designated stipulations that may or will be met by actions of the Synod.
- *Temporarily Restricted* – Represents net assets subject to donor-imposed stipulations that may or will be met either by the passage of time or actions of the Synod.

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Notes to Financial Statements January 31, 2018 and 2017

- *Permanently Restricted* – Represents net assets subject to donor-imposed stipulations that they must be maintained permanently by the Synod. Generally the donors of these assets permit the Synod to use all of the interest and dividends earned in related investments for general or specific purposes.

J. *Contributions*

Unconditional promises to give cash and other assets to the Synod are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition has been satisfied. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-stipulated contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying financial statements.

K. *Contributed Services*

A number of volunteers have donated various amounts of their time to the Synod and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

L. *Revenue and Other Support Over (Under) Expenses*

The statements of activities include revenue and other support over (under) expenses as a performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include change in unrealized gains and losses on other than trading securities.

M. *Income Taxes*

The Synod is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code as a religious organization by virtue of their inclusion in a group exemption ruling issued to the Evangelical Lutheran Church in America.

The Synod accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in Financial Accounting Standards Council Accounting Standards Codification (FASB ASC) Topic 740, *Income Taxes*. The Synod recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At January 31, 2018 and 2017, the Synod had no uncertain tax positions accrued.

N. *Concentration of Credit Risk*

Financial instruments that potentially subject the Synod to concentrations of credit risk include cash and cash equivalents and investments. The Synod periodically maintains deposits in excess of Federal Deposit Insurance Corporation limits. Management believes the risks relating to these deposits are minimal.

O. *Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Council (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Synod is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

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In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources - and the changes in those resources - to donors, grantors, creditors, and other financial statement users. This ASU will be effective for the Synod for fiscal years beginning after December 15, 2017. The Synod is currently evaluating the effect that the standard will have on the consolidated financial statements.

P. Subsequent Events

The Synod considered events occurring through July 26, 2018 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Investments, Including Assets Limited as to Use

Investments are presented in the financial statements at fair value. The following is a summary of investments at January 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets limited as to use -		
By donor	\$ 900,953	947,924
By council	1,475,010	1,257,562
Other	<u>1,951,872</u>	<u>1,802,662</u>
	<u>\$ 4,327,835</u>	<u>4,008,148</u>

Investment return for the years ended January 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 125,961	95,927
Realized gain, net	5,636	7,418
Net change in unrealized gains and losses on investments	<u>192,093</u>	<u>68,514</u>
	<u>\$ 323,690</u>	<u>171,859</u>

	<u>2018</u>	<u>2017</u>
Included in revenue and other support over (under) expenses	\$ 131,597	103,345
Reported separately as a change in net assets	<u>192,093</u>	<u>68,514</u>
	<u>\$ 323,690</u>	<u>171,859</u>

(3) Fair Value

Fair Value Hierarchy

The Synod applies FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly through either corroboration or observable market data.

Level 3 inputs are inputs are unobservable for the asset or liability. Therefore, unobservable inputs shall reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Cash and cash equivalents– The fair value of cash and cash equivalents, consisting primarily of money market funds, is classified as Level 1 as these funds are valued using quoted market prices.

Mutual funds – The fair value of mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers, and is classified as Level 1.

For the years ended January 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following tables present the financial instruments that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at January 31, 2018 and 2017:

	January 31, 2018			
	Total	Level 1	Level 2	Level 3
Investments, including assets limited as to use,				
Cash and cash equivalents	\$ 266,327	266,327	--	--
Mutual funds	1,232,288	1,232,288	--	--
	<u>\$ 1,498,615</u>	<u>1,498,615</u>	<u>--</u>	<u>--</u>
Investments, including assets limited as to use - other:				
Investments valued at cost plus accrued interest - Investment in Mission Investment Fund, ELCA	1,558,303			
Investments valued at net asset value - ELCA Endowment Fund Pooled Trust - Fund A	1,270,917			
Total investments, including assets limited to use	<u>\$ 4,327,835</u>			
	January 31, 2017			
	Total	Level 1	Level 2	Level 3
Investments, including assets limited as to use:				
Cash and cash equivalents	\$ 763,864	763,864	--	--
Investments, including assets limited as to use - other:				
Investments valued at cost plus accrued interest - Investment in Mission Investment Fund, ELCA	2,139,865			
Investments valued at net asset value - ELCA Endowment Fund Pooled Trust - Fund A	1,104,419			
Total investments, including assets limited to use	<u>\$ 4,008,148</u>			

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**Notes to Financial Statements
January 31, 2018 and 2017**

(4) Investments Valued at Net Asset Value

The Synod applies ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), which states investments in affiliated and private investment funds valued at NAV are no longer required to be included in the fair value hierarchy. For investments such as pooled trusts, the carrying amount is determined using the calculated net asset value (NAV) provided by the fund. These funds typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of valuation. Underlying securities traded in the over-the counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bid and ask quotes obtained. Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material.

The following table sets forth additional disclosures of the Synod's investments whose fair value is estimated using net asset value per share (or its equivalent) as of January 31, 2018 and 2017:

	2018		
	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Notice Period</u>
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	<u>1,270,917</u>	<u>--</u>	(A)
	2017		
	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Notice Period</u>
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	<u>1,104,419</u>	<u>--</u>	(A)

(A) This category includes an investment in a fund that invests in a diversified balanced portfolio consisting principally of global equities and fixed income securities. The ELCA Endowment Fund Pooled Trust - Fund A is made up of investment pools managed under the supervision of the investment advisor. Redemptions are received through the liquidation of the underlying assets of the funds. No notice is required for withdrawals. This fund also has no lock up period associated with it.

(5) Property and Equipment

A summary of property and equipment at January 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 301,109	299,910
Vehicles	143,902	172,075
Fontenelle facility	<u>921,685</u>	<u>921,685</u>
Total property and equipment	1,366,696	1,393,670
Less accumulated depreciation	<u>(890,526)</u>	<u>(872,322)</u>
Property and equipment, net	<u>\$ 476,170</u>	<u>521,348</u>

Depreciation expense of \$46,378 and \$36,239 in 2018 and 2017, respectively, is included in the statements of activities.

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**Notes to Financial Statements
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(6) Notes Receivable

Notes receivable at January 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Note receivable from a church, due in monthly installments of \$2,523, including interest at 5%, through September 2018, and a final balloon payment due in October 2018 of \$382,308	\$ 388,718	400,127
Note receivable from an individual, due in monthly installments of \$305, zero interest, through October 2018.	1,797	6,597
Note receivable from an individual, due in monthly installments of \$114, zero interest, through September 2018. This note was paid in full during 2018.	--	2,233
Total notes receivable	390,515	408,957
Less current portion	<u>(11,047)</u>	<u>(10,509)</u>
Notes receivable, net of current portion	<u>\$ 379,468</u>	<u>398,448</u>

(7) Other Long-Term Receivable

In 2011, leadership of a church affiliated with the Synod disagreed with certain decisions of the Church and attempted to change its affiliation from the Synod to a different organization. Many congregants disagreed with the change in affiliation, and contend that the change was not executed in a proper and legal manner.

The Synod has funded a substantial portion of the cost of legal fees incurred by a group of congregants who are seeking to cause the church to rejoin affiliation with the Synod and return the church facility and funds to the congregation under Synod affiliation.

Management has entered into an agreement with the congregants named in legal filings where, should the plaintiffs be successful in their arguments, they will reimburse the Synod for all costs incurred by the Synod in support of this effort. Management has asserted that the balance of this receivable is fully collectable as of the financial statement date.

(8) Membership Fees

The source of financial support for LPGS is exclusively from the membership fees of its members. The amount of financial support from each member is determined annually by a formula developed by the Council consistent with budgetary requirements of LPGS. Fees for the years ended January 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
ELCA Foundation	\$ 45,000	45,000
Immanuel	33,528	32,871
Mosaic	33,528	12,074
Midland University	23,263	26,834
Lutheran Family Services of Nebraska, Inc.	23,263	22,807
Blue Valley Lutheran Homes Society, Inc.	17,790	17,441
Lutheran School of Theology	17,790	17,441
Good Shepherd Lutheran Community	17,790	17,441
NE Lutheran Outdoor Ministries	15,053	14,758
Wartburg Seminary	15,053	14,758
Oaks Indian Center	10,949	10,734
NE Lutheran Campus Ministries	10,929	10,734
Tabitha Foundation	--	32,871
	<u>\$ 263,936</u>	<u>275,764</u>

**Nebraska Synod of the
Evangelical Lutheran Church in America**

**Notes to Financial Statements
January 31, 2018 and 2017**

(9) Unrestricted – Council Designated, Temporarily and Permanently Restricted Net Assets

Unrestricted Council designated net assets are available for the following purposes at January 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Council designated endowment for ongoing operations and ministries	\$ 686,263	--
Synod Contingency Fund	255,367	262,367
Lutheran Metro Ministries	196,787	249,076
Youth / Family Ministry Fund	78,690	89,825
Leadership Development Fund	66,432	83,641
Synod's Discretionary Fund	39,482	54,850
Assembly / Festival	32,320	40,987
We Do Mission	30,444	33,521
World Hunger	23,840	28,345
Sudanese	18,025	18,000
Rural Internships	11,161	10,411
Justice Ministries	10,373	10,373
Ecumenical Boundaries Event	9,171	9,066
Ventures	7,225	7,225
Interim Ministry	4,447	5,144
Enhancing Rural Ministry for Aging Adults	3,061	3,061
Beatrice All the Children of God	1,150	5,834
Rural Ministry Endowment Interest	771	570
Synod Clergy / Spouse Retreat	--	876
Nebraska Synod Endowment	--	213,549
Nebraska Synod Endowment Interest	--	76,631
Nebraska Missions Fund	--	48,499
Video	--	4,566
Renewal Retreat Task Force	--	1,022
Bridgebuilders	--	123
	<u>\$ 1,475,009</u>	<u>1,257,562</u>

Temporarily restricted net assets are available for the following purposes at January 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Tanzania Fund	\$ 336,002	406,901
Lutheran Metro Ministries	119,847	120,487
Mission Field Nebraska	94,500	--
Prison Chapel	51,466	51,466
Candidacy	50,066	72,417
Nebraska Disaster Fund	36,872	56,872
LPGS Future Operational	35,346	33,846
American Missions	31,973	61,723
Scholarships	25,846	25,082
Parish Ministry Associate	25,732	7,795
Gage County Seminarian	14,891	14,690
Immanuel Mission & Vision Initiative Grant	14,857	21,549
Seminarian Assistance	13,639	26,105
Director of Evangelical Mission	13,020	15,968
Spiritual Direction	8,888	10,000
Seminary Assist SE Nebraska Cluster	3,333	3,333
Spirit of Grace	2,339	2,339
Argentina	1,985	1,985
Rural Immersion	--	640
Mental Wellness	--	1,049
	<u>\$ 880,602</u>	<u>934,247</u>

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**Notes to Financial Statements
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Permanently restricted net assets listed below include endowment funds which are to be held in perpetuity, the income which is expendable for the following:

	<u>2018</u>	<u>2017</u>
Rural Ministries endowment	\$ 13,677	13,677
Operational endowment	<u>6,673</u>	<u>--</u>
	<u>\$ 20,350</u>	<u>13,677</u>

(10) Endowment Fund

The Synod's endowment fund was established to support the ongoing operations and ministries of the Synod. Funds in the endowment consist of permanently restricted donor contributions as well as funds designated by the Council to function as endowments. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council of the Synod has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Synod classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted, council designates net assets until those amounts are appropriated for expenditure by the Synod in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Synod considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Synod and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Synod
7. The investment policies of the Synod

The change in endowment net assets for the years ended January 31, 2018 and 2017 are as follows:

	<u>2018</u>		
	<u>Council Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ --	13,677	13,677
Investment return:			
Interest and dividends, net	14,473	92	14,565
Net appreciation (realized and unrealized)	<u>24,575</u>	<u>--</u>	<u>24,575</u>
Total investment return	39,048	92	39,140
Contributions	--	6,581	6,581
Amounts designated by Council action	657,215	--	657,215
Appropriations of endowment assets for expenditure	<u>(10,000)</u>	<u>--</u>	<u>(10,000)</u>
Endowment net assets, end of year	<u>\$ 686,263</u>	<u>20,350</u>	<u>49,398</u>

**Nebraska Synod of the
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**Notes to Financial Statements
January 31, 2018 and 2017**

	2017		
	Council Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	13,677	13,677
Investment return:			
Interest and dividends, net	--	--	--
Net appreciation (realized and unrealized)	--	--	--
Total investment return	--	--	--
Contributions	--	--	--
Appropriations of endowment assets for expenditure	--	--	--
Endowment net assets, end of year	\$ --	13,677	13,677

Return Objectives and Risk Parameters

The Synod has adopted investment policies for endowment assets that provide an investment return necessary to achieve the strategic and operating objectives of the Synod, while complying with all donor-imposed restrictions. Under this policy, as approved by the Council, the endowment assets are invested in a manner that maximizes total returns over long periods of time primarily through capital appreciation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Synod relies on a total return strategy in which investment returns are achieved primarily through the purchase of securities of high quality.

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The Synod preserves the whole dollar value of the original gift as of the gift date of donor-restricted endowments, absent explicit donor stipulations to the contrary. Ninety percent of interest, dividends and net appreciation (together, investment return) of the donor-restricted endowment funds are deemed available for appropriation when earned. The remaining ten percent of investment returns of donor-restricted endowment funds are added to the corpus of the donor restricted endowment. Investment returns of Council designated endowment funds are available for appropriation in the same manner as donor-restricted endowment funds.

(11) Commitments and Contingencies

Operating Lease

During 2017 and 2018, the Synod leased various facilities under an operating lease. Total rental expense in 2018 and 2017 for all operating leases was \$34,800.

The following is a schedule by year of future minimum lease payments under the operating lease as of January 31, 2018:

Year Ending	Amount
2019	\$ 34,800
2020	5,800

Nebraska Synod of the Evangelical Lutheran Church in America

Notes to Financial Statements January 31, 2018 and 2017

(12) Pension and Other Benefits Program

The Synod is a participating employer in benefit plans administered by the Evangelical Lutheran Church in America Council of Pensions, doing business as Portico Benefit Services, an affiliated corporation of the Church. These plans include the following:

- Regular Pension Plan
- Medical and Dental Benefits Plan
- Disability Benefits Plan
- Survivor Benefits Plan

The Synod contributes a fixed percentage of qualifying compensation to each of these plans. The Synod offers no additional benefits and incurs no further liabilities associated with the aforementioned plans. For the years ended January 31, 2018 and 2017, the total cost to the Synod of participating in these plans was \$147,159 and \$162,706, respectively.

(13) Related Party Transactions

The Synod serves as the sole member of Nebraska Lutheran Outdoor Ministries, Inc. and Nebraska Lutheran Campus Ministry, Inc. (collectively, Corporations), both not-for-profit corporations. Upon dissolution of the Corporations, any remaining property and assets are to be distributed to the Synod or its successor(s). Any amendments to the Corporations' articles of incorporation must have written approval from the Synod. The affairs of the Corporations are managed by separate Councils of Directors. The Synod elects directors to the Councils but does not have the authority to remove the Corporations' Council members. Due to the lack of overlapping Councils, and the Synod not being able to remove Council members, the Synod does not control the Corporations. Since control does not exist, the Corporations' financial position and activities are not included in these financial statements. During 2018 and 2017, the Synod provided grants totaling \$249,993 and \$256,273, respectively, to these Corporations.

The Synod also had amounts payable to the Church, as described in Note 1, for overall mission support in the amounts of \$222,477 and \$245,490, as of January 31, 2018 and 2017, respectively. Remaining amounts included in the payable to affiliated organizations contain amounts due to affiliated church related agencies and institutions.

Divisional Statements of Financial Position
January 31, 2018

	Nebraska Synod of the ELCA	Lutheran Planned Giving Services	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 346,607	157,104	--	503,711
Other receivables	63,802	--	(6,305)	57,497
Current portion of notes receivable	11,047	--	--	11,047
Prepaid expenses	--	12,650	--	12,650
	<u>421,456</u>	<u>169,754</u>	<u>(6,305)</u>	<u>584,905</u>
Total current assets	421,456	169,754	(6,305)	584,905
Investments, including assets limited as to use	3,819,855	507,980	--	4,327,835
Property and equipment, net	456,702	19,468	--	476,170
Notes receivable, net of current portion	379,468	--	--	379,468
Other long-term receivable	92,316	--	--	92,316
	<u>5,169,797</u>	<u>697,202</u>	<u>(6,305)</u>	<u>5,860,694</u>
Total assets	\$ 5,169,797	697,202	(6,305)	5,860,694
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 8,222	20,745	(6,305)	22,662
Payable to affiliated organizations	340,181	--	--	340,181
Accrued expenses	174,662	344	--	175,006
Deferred revenue	--	16,007	--	16,007
	<u>523,065</u>	<u>37,096</u>	<u>(6,305)</u>	<u>553,856</u>
Total current liabilities	523,065	37,096	(6,305)	553,856
Net assets:				
Unrestricted	2,306,117	624,760	--	2,930,877
Unrestricted - council designated	1,475,009	--	--	1,475,009
Temporarily restricted	845,256	35,346	--	880,602
Permanently restricted	20,350	--	--	20,350
	<u>4,646,732</u>	<u>660,106</u>	<u>--</u>	<u>5,306,838</u>
Total net assets	4,646,732	660,106	--	5,306,838
Total liabilities and net assets	\$ 5,169,797	697,202	(6,305)	5,860,694

**Divisional Statements of Changes in Unrestricted Net Assets
For the Year Ended January 31, 2018**

	Nebraska Synod of the ELCA	Lutheran Planned Giving Services	Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:				
Church support - mission share	\$ 3,308,239	--	--	3,308,239
LPGS membership fees	--	263,936	--	263,936
Gifts, grants, events and expense reimbursements	737,454	1,050	--	738,504
Investment income	114,049	17,298	--	131,347
Other income	42,244	6,355	--	48,599
Net assets released from restrictions	1,306,612	--	--	1,306,612
Total revenue and other support	<u>5,508,598</u>	<u>288,639</u>	<u>--</u>	<u>5,797,237</u>
EXPENSES:				
ELCA churchwide ministries	1,788,451	--	--	1,788,451
Operating expenses	1,973,462	202,306	--	2,175,768
Grants and program expenses	1,852,561	--	--	1,852,561
Depreciation	40,901	5,477	--	46,378
Total expenses	<u>5,655,375</u>	<u>207,783</u>	<u>--</u>	<u>5,863,158</u>
REVENUE AND OTHER SUPPORT OVER (UNDER) EXPENSES	(146,777)	80,856	--	(65,921)
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON OTHER THAN TRADING SECURITIES	<u>132,904</u>	<u>59,189</u>	<u>--</u>	<u>192,093</u>
CHANGE IN UNRESTRICTED NET ASSETS	(13,873)	140,045	--	126,172
UNRESTRICTED NET ASSETS, beginning of year	<u>3,794,999</u>	<u>484,715</u>	<u>--</u>	<u>4,279,714</u>
UNRESTRICTED NET ASSETS, end of year	<u>\$ 3,781,126</u>	<u>624,760</u>	<u>--</u>	<u>4,405,886</u>