

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

**Financial Statements and Supplementary Information
January 31, 2020 and 2019**

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, 2020 and 2019, 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, 2020 and 2019, 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.

Seim Johnson, LLP

Omaha, Nebraska,
May 27, 2020.

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

**Statements of Financial Position
January 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,274,495	592,521
Other receivables	123,014	177,861
Current portion of notes receivable	12,206	11,611
Settlement receivable	--	92,316
Prepaid expenses	3,916	4,447
	<u>1,413,631</u>	<u>878,756</u>
Total current assets		
Investments, including assets limited as to use	3,645,659	3,888,798
Property and equipment, net	508,145	437,590
Notes receivable, net of current portion	355,735	367,894
	<u>5,923,170</u>	<u>5,573,038</u>
Total assets		
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 102,393	24,996
Payable to affiliated organizations	337,389	286,150
Accrued expenses	172,891	140,142
Deferred revenue	--	20,797
	<u>612,673</u>	<u>472,085</u>
Total current liabilities		
Commitments and contingencies		
Net assets:		
Without donor restrictions -		
Undesignated	1,648,164	2,889,532
Council designated	2,506,632	1,388,452
With donor restrictions	1,155,701	822,969
	<u>5,310,497</u>	<u>5,100,953</u>
Total net assets		
Total liabilities and net assets	<u>\$ 5,923,170</u>	<u>5,573,038</u>

See notes to financial statements

Nebraska Synod of the Evangelical Lutheran Church in America

Statement of Activities

For the Year Ended January 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Church support - mission share	\$ 3,081,870	--	3,081,870
LPGS membership fees	165,610	--	165,610
Gifts, grants, events and expense reimbursements	701,955	1,685,537	2,387,492
Investment income, net	189,619	1,761	191,380
Change in unrealized gains (losses) on investments, net	226,593	--	226,593
Other income	6,985	--	6,985
Net assets released from restrictions	1,354,566	(1,354,566)	--
	<u>5,727,198</u>	<u>332,732</u>	<u>6,059,930</u>
Total revenue and other support			
EXPENSES:			
Program	5,045,404	--	5,045,404
Management and general	543,448	--	543,448
Fundraising	261,534	--	261,534
	<u>5,850,386</u>	<u>--</u>	<u>5,850,386</u>
Total expenses			
CHANGE IN NET ASSETS	(123,188)	332,732	209,544
NET ASSETS, beginning of year	<u>4,277,984</u>	<u>822,969</u>	<u>5,100,953</u>
NET ASSETS, end of year	<u>\$ 4,154,796</u>	<u>1,155,701</u>	<u>5,310,497</u>

See notes to financial statements

Nebraska Synod of the Evangelical Lutheran Church in America

**Statement of Activities
For the Year Ended January 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Church support - mission share	\$ 3,112,803	--	3,112,803
LPGS membership fees	294,162	--	294,162
Gifts, grants, events and expense reimbursements	614,942	1,226,164	1,841,106
Investment income, net	157,044	(339)	156,705
Change in unrealized gains (losses) on investments, net	(192,333)	--	(192,333)
Other income	64,215	--	64,215
Net assets released from restrictions	1,303,808	(1,303,808)	--
	<u>5,354,641</u>	<u>(77,983)</u>	<u>5,276,658</u>
Total revenue and other support			
EXPENSES:			
Program	4,699,326	--	4,699,326
Management and general	535,519	--	535,519
Fundraising	247,698	--	247,698
	<u>5,482,543</u>	<u>--</u>	<u>5,482,543</u>
Total expenses			
CHANGE IN NET ASSETS	(127,902)	(77,983)	(205,885)
NET ASSETS, beginning of year	<u>4,405,886</u>	<u>900,952</u>	<u>5,306,838</u>
NET ASSETS, end of year	<u>\$ 4,277,984</u>	<u>822,969</u>	<u>5,100,953</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 209,544	(205,885)
Adjustments to reconcile the change in net assets to net cash used in operating activities -		
Depreciation	34,851	44,683
Change in unrealized gains (losses) on investments, net	(226,593)	192,333
(Increase) decrease in current assets -		
Other receivables	54,847	(120,364)
Settlement receivable	92,316	--
Prepaid expenses	531	8,203
Increase (decrease) in current liabilities -		
Accounts payable	77,397	2,334
Payable to affiliated organizations	51,239	(54,031)
Accrued expenses	32,749	(34,864)
Deferred revenue	(20,797)	4,790
Net cash provided by (used in) operating activities	<u>306,084</u>	<u>(162,801)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(105,406)	(6,103)
Withdrawals from investments, net	<u>469,732</u>	<u>246,704</u>
Net cash provided by investing activities	<u>364,326</u>	<u>240,601</u>
CASH FLOWS FROM FINANCING ACTIVITIES,		
Payments received on notes receivable	<u>11,564</u>	<u>11,010</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	681,974	88,810
CASH AND CASH EQUIVALENTS - beginning of year	<u>592,521</u>	<u>503,711</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,274,495</u>	<u>592,521</u>

See notes to financial statements

Nebraska Synod of the Evangelical Lutheran Church in America

Notes to Financial Statements January 31, 2020 and 2019

(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 (GAAP).

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 and ministries.

LPGS is 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. If 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 the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements. 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.

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, realized gains and losses on investment transactions and unrealized gains and losses on investments are included in change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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Notes to Financial Statements January 31, 2020 and 2019

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 designated programs, and 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 – 10 years
Building and improvements	15 – 40 years

Gifts and transfers of long-lived assets such as land, buildings or equipment are reported as support without donor restrictions 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 support with donor restrictions. 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 the 2019 fiscal year to fund future program activities.

I. Net Assets

The financial statements report the changes in and totals of each net asset class based on the existence or absence of donor restrictions, as described below:

- *Net assets without donor restrictions* – are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Tabitha. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Council.
- *Net assets with donor restrictions* – are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Nebraska Synod of the Evangelical Lutheran Church in America

Notes to Financial Statements January 31, 2020 and 2019

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 support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year received are reported as contributions without donor restrictions in the accompanying financial statements.

K. Contributed Services

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

L. Functional Expenses

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

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 Board, 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, 2020 and 2019, 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, including assets limited as to use. 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

ASU 2016-02 - In February 2016, the FASB issued 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 statement of operations.

In October 2019, the FASB voted to delay the effective date of the standard by one year. The standard is now effective for the Synod for the fiscal year ending January 31, 2021. Upon adoption of the standard, lessees will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach which includes available practical expedients. Preparing for implementation will be imperative for a smooth transition and management should consider the impact on existing leases and future financing options.

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Notes to Financial Statements January 31, 2020 and 2019

In April 2020, due to the COVID-19 outbreak, the FASB proposed an optional one year delay of effective date of the standard. The delay is currently in proposed format and remains subject to change as it has not been codified into the accounting standards. We recommend management continue to monitor the proposed delay in the implementation date of ASU 2016-02 and take appropriate action to properly apply the provisions of the standard once it becomes effective.

P. Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 reporting format.

Q. Change in Accounting Principle

ASU 2014-09 – The Synod adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 addresses requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. There were no changes to revenue recognition as a result of adopting ASU 2014-09.

ASU 2016-08 - The Synod adopted the provisions of FASB ASU 2016-08, *Statement of Cash Flows (Topic 203) – Restricted Cash*. The ASU clarifies and improves presentation of restricted cash on the statement of cash flows. The adoption of this standard had no impact on the financial statements of the Synod.

ASU 2018-03 – In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, with further clarifications made in February 2018 with the issuance of ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments*. This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. This guidance also requires changes in net assets without donor restrictions for liabilities accounted for under a fair value option and changes certain presentation and disclosure requirements for financial instruments. The Synod has applied that ASU retrospectively to all periods presented.

ASU 2018-18 – Effective February 1, 2019 the Synod adopted the provisions of FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective basis. The ASU clarifies and improves current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoption of the standard had no impact on total net assets.

R. Subsequent Events

The Synod considered events occurring through May 27, 2020 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

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

**Notes to Financial Statements
January 31, 2020 and 2019**

(2) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet dates, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,274,495	592,521
Other receivables	123,014	177,861
Current portion of notes receivable	12,206	11,611
Settlement receivable	--	92,316
Investments, including assets limited as to use	3,645,659	3,888,798
Notes receivable, net of current portion	<u>355,735</u>	<u>367,894</u>
Total financial assets	<u>5,411,109</u>	<u>5,131,001</u>
Less financial assets limited as to use:		
Net assets without donor restrictions - Council designated	(2,506,632)	(1,388,452)
Net assets with donor restrictions	<u>(1,155,701)</u>	<u>(822,969)</u>
Total financial assets limited as to use	<u>(3,662,333)</u>	<u>(2,211,421)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,748,776</u>	<u>2,919,580</u>

The Synod's funds consist of donor-restricted endowments and funds designated by the Council as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Council designated net assets have been set aside for specific purposes by action of the Council, and are not intended to be spent from for other than those specified purposes. Should it be necessary, these amounts could be made available for expenditure by an action of the Council. As of January 31, 2020 and 2019, there were \$2,506,632 and \$1,388,452, respectively, of Council designated net assets without donor restrictions, inclusive of amounts designated by the Council as endowment funds. See Note 9 for further information regarding Council designated net assets.

(3) 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets limited as to use -		
By Council	\$ 2,138,691	1,388,452
By donor	1,155,701	822,969
Other investments	<u>351,267</u>	<u>1,677,377</u>
	<u>\$ 3,645,659</u>	<u>3,888,798</u>

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

**Notes to Financial Statements
January 31, 2020 and 2019**

(4) 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:

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 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, 2020 and 2019, 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, 2020 and 2019:

	January 31, 2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, including assets limited as to use,				
Cash and cash equivalents	\$ 39,425	39,425	--	--
Mutual funds	<u>1,583,479</u>	<u>1,583,479</u>	--	--
	\$ 1,622,904	<u>1,622,904</u>	--	--
Investments, including assets limited as to use - other:				
Investments valued at cost plus accrued interest -				
Investment in Mission Investment Fund, ELCA	736,699			
Investments valued at net asset value -				
ELCA Endowment Fund Pooled Trust - Fund A	<u>1,286,056</u>			
Total investments, including assets limited to use	<u>\$ 3,645,659</u>			

**Nebraska Synod of the
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**Notes to Financial Statements
January 31, 2020 and 2019**

	January 31, 2019			
	Total	Level 1	Level 2	Level 3
Investments, including assets limited as to use:				
Cash and cash equivalents	\$ 50,534	50,534	--	--
Mutual funds	<u>1,395,328</u>	<u>1,395,328</u>	--	--
	\$ 1,445,862	<u>1,445,862</u>	--	--
Investments, including assets limited as to use - other:				
Investments valued at cost plus accrued interest -				
Investment in Mission Investment Fund, ELCA	1,267,465			
Investments valued at net asset value -				
ELCA Endowment Fund Pooled Trust - Fund A	<u>1,175,471</u>			
Total investments, including assets limited to use	\$ <u>3,888,798</u>			

(5) 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, 2020 and 2019:

	2020		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	<u>1,286,056</u>	--	(A)
	2019		
	Net Asset Value	Unfunded Commitments	Notice Period
Quarterly redemption frequency, ELCA Endowment Fund Pooled Trust - Fund A	<u>1,175,471</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.

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

**Notes to Financial Statements
January 31, 2020 and 2019**

(6) Property and Equipment

A summary of property and equipment at January 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 249,217	253,394
Vehicles	165,251	143,902
Fontenelle facility	<u>988,707</u>	<u>921,685</u>
Total property and equipment	1,403,175	1,318,981
Less accumulated depreciation	<u>(895,030)</u>	<u>(881,391)</u>
Property and equipment, net	<u>\$ 508,145</u>	<u>437,590</u>

Depreciation expense of \$34,851 and \$44,683 in 2020 and 2019, respectively, is included in the statements of activities.

(7) Notes Receivable

Notes receivable at January 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Note receivable from a church, due in monthly installments of \$2,523, including interest at 5%, through September 2028, and a final balloon payment due in October 2028 of \$237,888.	\$ 367,941	379,505
Less current portion	<u>(12,206)</u>	<u>(11,611)</u>
Notes receivable, net of current portion	<u>\$ 355,735</u>	<u>367,894</u>

(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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Mosaic	\$ 37,897	34,199
ELCA Foundation	22,500	45,000
Immanuel	17,100	34,199
Tabitha Foundation	17,100	34,199
Midland University	13,959	27,918
Lutheran Family Services of Nebraska, Inc.	11,864	23,728
Blue Valley Lutheran Homes Society, Inc.	9,073	18,146
Wartburg Seminary	9,073	18,146
Lutheran School of Theology	8,199	20,939
NE Lutheran Outdoor Ministries	7,677	15,352
Oaks Indian Center	5,584	11,168
NE Lutheran Campus Ministries	<u>5,584</u>	<u>11,168</u>
	<u>\$ 165,610</u>	<u>294,162</u>

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(9) Net Assets Without Donor Restrictions – Council Designated

Council designated net assets without donor restrictions are available for the following purposes at January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equity in Synod Properties	\$ 1,087,460	--
Council designated endowment for ongoing operations and ministries	718,694	642,172
Synod Contingency Fund	268,774	255,367
Lutheran Metro Ministries	131,812	201,937
Leadership Development Fund	60,765	63,601
Youth / Family Ministry Fund	47,787	59,482
Bethel Trust	45,063	--
Synod's Discretionary Fund	30,886	33,753
Assembly / Festival	28,687	44,525
World Hunger	16,178	18,340
Rural Internships	12,461	11,261
Fall Campaign	10,820	--
Justice Ministries	10,498	10,538
Ecumenical Boundaries Event	8,513	9,707
We Do Mission	8,474	21,954
Ventures	7,225	7,225
Interim Ministry	3,597	3,597
BCF Discretionary	3,238	--
Enhancing Rural Ministry for Aging Adults	3,061	3,061
Beatrice All the Children of God	1,150	1,150
Financial Administration	549	--
Rural Ministry Endowment Interest	940	782
	<u>\$ 2,506,632</u>	<u>1,388,452</u>

Council designated net assets without donor restrictions are reported in the following lines in the Statements of Financial Position at January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current portion of notes receivable	\$ 12,206	--
Notes receivable, net of current portion	355,735	--
Investments, including assets limited as to use	<u>2,138,691</u>	<u>1,388,452</u>
	<u>\$ 2,506,632</u>	<u>1,388,452</u>

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(10) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Tanzania Fund	\$ 384,259	296,329
Nebraska Disaster Fund	221,076	36,872
Lutheran Metro Ministries	89,323	102,145
Immanuel Mission & Vision Initiative Grant	53,530	15,141
Prison Chapel	51,466	51,466
Parish Ministry Associate	46,529	24,613
Mission Field Nebraska	38,401	45,915
Director of Evangelical Mission	37,444	13,741
LPGS Future Operational	35,346	35,346
American Missions	32,156	32,156
Scholarships	25,848	25,846
Immanuel Vision Fund	21,056	--
Seminarian Assistance	15,505	20,064
Gage County Seminarian	15,335	15,162
Church for the Sake of the World	12,899	5,000
Spiritual Direction	10,630	953
Theological Intensive Program	7,629	9,870
Argentina	7,053	6,583
Faith Partners of Nebraska	6,877	9,052
Seminary Assist SE Nebraska Cluster	3,333	3,333
Candidacy	3,083	16,083
Spirit of Grace	2,339	2,339
Immanuel Annual Grants	1,884	20,000
Excellence in Leadership	693	9,210
Rural Immersion	50	--
Total purpose restrictions	<u>1,123,744</u>	<u>797,219</u>
Endowment funds to be held in perpetuity, income of which is expendable:		
Rural Ministries endowment	14,000	14,000
Operational endowment	17,957	11,750
Total endowments	<u>31,957</u>	<u>25,750</u>
Total net assets with donor restrictions	<u>\$ 1,155,701</u>	<u>822,969</u>

(11) 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 donor restricted 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 net assets with donor restrictions (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 is classified as without donor restrictions. The 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:

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- 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, 2020 and 2019 are as follows:

	2020		
	Council Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 642,172	25,750	667,922
Investment return:			
Interest and dividends, net	48,079	383	48,462
Net appreciation (realized and unrealized)	63,664	1,204	64,868
Total investment return	111,743	1,587	113,330
Contributions	--	4,620	4,620
Appropriations of endowment assets for expenditure	(35,221)	--	(35,221)
Endowment net assets, end of year	<u>\$ 718,694</u>	<u>31,957</u>	<u>750,651</u>

	2019		
	Council Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 686,263	20,350	706,613
Investment return:			
Interest and dividends, net	22,747	364	23,111
Net depreciation (realized and unrealized)	(44,684)	(516)	(45,200)
Total investment return	(21,937)	(152)	(22,089)
Contributions	--	6,010	6,010
Appropriations of endowment assets for expenditure	(22,154)	(458)	(22,612)
Endowment net assets, end of year	<u>\$ 642,172</u>	<u>25,750</u>	<u>667,922</u>

Return Objectives and Risk Parameters

The Synod has adopted investment policies for endowment assets that provide and 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.

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Notes to Financial Statements January 31, 2020 and 2019

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 (depreciation) in excess of inflation (together, real total investment return) of the donor-restricted endowment funds are deemed available for appropriation when earned. The remaining ten percent of investment returns plus inflation of donor-restricted endowment funds are added to the corpus of the donor restricted endowment. Real investment returns of Council designated endowment funds are available for appropriation in the same manner as donor-restricted endowment funds. Corpus of the Council designated endowment fund may be released by Council action.

(12) Commitments and Contingencies

Operating Lease

During 2018 and 2019, the Synod leased various facilities under an operating lease. Total rental expense in 2020 and 2019 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, 2020:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 5,800

(13) 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 Retirement 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, 2020 and 2019, the total cost to the Synod of participating in these plans was \$351,032 and \$372,282, respectively.

(14) 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 2020 and 2019, the Synod provided grants totaling \$228,584 and \$235,222, respectively, to these Corporations.

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The Synod also had amounts payable to the Church, as described in Note 1, for overall mission support in the amounts of \$337,388 and \$174,217, as of January 31, 2020 and 2019, respectively. Remaining amounts included in the payable to affiliated organizations contain amounts due to affiliated church related agencies and institutions.

(15) Functional Expenses

The following table illustrates the Synod's expenses by both their nature and their function for the year ended January 31, 2020 and 2019:

2020				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Churchwide mission support	\$ 1,667,303	--	--	1,667,303
Salaries and benefits	1,142,192	269,789	207,308	1,619,289
Direct mission and ministry support	1,158,197	--	--	1,158,197
Grants, gifts, and scholarships	637,750	--	--	637,750
Assembly and other meetings	318,765	--	--	318,765
Travel	75,412	3,403	19,349	98,164
Communication, printing, and publications	--	51,686	24,735	76,421
Occupancy	12,401	39,873	--	52,274
Finance, accounting, and legal	--	34,415	--	34,415
Depreciation	26,077	3,352	5,422	34,851
Insurance	560	29,521	--	30,081
Other	6,747	111,409	4,720	122,876
	<u>\$ 5,045,404</u>	<u>543,448</u>	<u>261,534</u>	<u>5,850,386</u>
2019				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Churchwide mission support	\$ 1,683,710	--	--	1,683,710
Salaries and benefits	1,158,541	257,763	188,594	1,604,898
Direct mission and ministry support	1,264,113	--	--	1,264,113
Grants, gifts, and scholarships	192,871	--	--	192,871
Assembly and other meetings	223,901	--	--	223,901
Travel	89,339	1,804	23,392	114,535
Communication, printing, and publications	--	67,658	19,613	87,271
Occupancy	16,398	39,800	--	56,198
Finance, accounting, and legal	--	69,032	--	69,032
Depreciation	35,187	4,318	5,178	44,683
Insurance	251	22,374	--	22,625
Other	35,015	72,770	10,921	118,706
	<u>\$ 4,699,326</u>	<u>535,519</u>	<u>247,698</u>	<u>5,482,543</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Synod. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated on the basis of estimates of time and effort include salaries and benefits, and travel.

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(16) Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, and adverse impact on the economies and financial markets of many countries. This and other economic events have had a significant adverse impact on investment portfolios. As a result, the Synod’s investments have likely incurred a decline in fair value since January 31, 2020.

On March 27, 2020, the President signed the CARES Act, which created and authorized the U.S. Small Business Administration to administer the Paycheck Protection Program, whereby organizations can apply for and receive loans, the proceeds of which are eligible for forgiveness of up to the full principal amount when used by the recipient for certain qualifying expenses. On April 14, 2020, the Synod received \$147,800 of funding under this program.

Divisional Statements of Financial Position
January 31, 2020

	Nebraska Synod of the ELCA	Lutheran Planned Giving Services	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,081,177	193,318	1,274,495
Other receivables	109,400	13,614	123,014
Current portion of notes receivable	12,206	--	12,206
Prepaid expenses	--	3,916	3,916
Total current assets	1,202,783	210,848	1,413,631
Investments, including assets limited as to use	3,108,170	537,489	3,645,659
Property and equipment, net	479,656	28,489	508,145
Notes receivable, net of current portion	355,735	--	355,735
Total assets	<u>\$ 5,146,344</u>	<u>776,826</u>	<u>5,923,170</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 102,393	--	102,393
Payable to affiliated organizations	337,389	--	337,389
Accrued expenses	167,958	4,933	172,891
Total current liabilities	<u>607,740</u>	<u>4,933</u>	<u>612,673</u>
Net assets:			
Without donor restrictions -			
Undesignated	911,617	736,547	1,648,164
Council designated	2,506,632	--	2,506,632
With donor restrictions	1,120,355	35,346	1,155,701
Total net assets	<u>4,538,604</u>	<u>771,893</u>	<u>5,310,497</u>
Total liabilities and net assets	<u>\$ 5,146,344</u>	<u>776,826</u>	<u>5,923,170</u>

**Divisional Statements of Changes in Net Assets Without Donor Restrictions
For the Year Ended January 31, 2020**

	Nebraska Synod of the ELCA	Lutheran Planned Giving Services	Total
REVENUE AND OTHER SUPPORT:			
Church support - mission share	\$ 3,081,870	--	3,081,870
LPGS membership fees	--	165,610	165,610
Gifts, grants, events and expense reimbursements	701,955	--	701,955
Investment income, net	168,577	21,042	189,619
Change in unrealized gains (losses) on investments, net	188,826	37,767	226,593
Other income	253	6,732	6,985
Net assets released from restrictions	1,354,566	--	1,354,566
	<u>5,496,047</u>	<u>231,151</u>	<u>5,727,198</u>
Total revenue and other support			
EXPENSES:			
Program	5,045,404	--	5,045,404
Management and general	478,238	65,210	543,448
Fundraising	118,100	143,434	261,534
	<u>5,641,742</u>	<u>208,644</u>	<u>5,850,386</u>
Total expenses			
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(145,695)	22,507	(123,188)
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	<u>3,563,944</u>	<u>714,040</u>	<u>4,277,984</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	<u>\$ 3,418,249</u>	<u>736,547</u>	<u>4,154,796</u>