

Southern Ohio Synod of the Evangelical Lutheran Church in America

Financial Statements and Independent
Auditor's Report with
Supplementary Information

January 31, 2019 and 2018

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**

**Financial Statements with Supplementary Information
January 31, 2019 and 2018**

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Independent Auditor's Report

To the Synod Council
Evangelical Lutheran Church in America
Southern Ohio Synod

We have audited the accompanying financial statements of the Southern Ohio Synod of the Evangelical Lutheran Church in America, (the "Synod") (a nonprofit organization) which comprise the statements of financial position as of January 31, 2019 and 2018, and the related statements of activities, functional expenses, changes in net assets, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2019 and 2018, 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.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Apple Growth Partners

Akron, Ohio
March 27, 2019

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statements of Financial Position**

	January 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents:		
Commercial deposits	\$ 578,816	\$ 394,822
Advances	527	790
Accrued interest	883	698
Prepaid expenses	12,154	15,687
Total current assets	592,380	411,997
Investments (invested with)		
ELCA Mission Investment Fund	205,127	202,300
ELCA Endowment Fund	161,102	170,249
	366,229	372,549
Equipment, furniture and vehicles	210,966	209,391
Less accumulated depreciation	(140,063)	(138,400)
Net equipment, furniture and vehicles	70,903	70,991
Administration facility	797,479	797,479
Land - administration facility	390,000	390,000
Less accumulated depreciation	(481,383)	(453,844)
Property and facility, net	706,096	733,635
Other assets		
Bellbrook church building and land	-	301,000
Land - Oklahoma property	80,000	80,000
Total other assets	80,000	381,000
	\$ 1,815,608	\$ 1,970,172

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statements of Financial Position**

	January 31,	
	2019	2018
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	\$ 36,501	\$ 37,920
Accounts payable	25,943	31,961
Funds held for others	10,919	8,112
Total current liabilities	<u>73,363</u>	<u>77,993</u>
Long-term debt, net of current maturities	<u>293,725</u>	<u>327,760</u>
	<u>367,088</u>	<u>405,753</u>
NET ASSETS		
Without donor restrictions - General	643,234	625,621
Without donor restrictions - Council-Designated		
Living Christ	232,635	401,510
Bishop's Discretionary Fund	18,467	17,080
Technology Improvements	6,494	6,000
Building Improvements	10,866	5,866
Automobile Replacement	29,316	26,753
Staff Continuing Education	2,532	-
Thrive! Campaign	26,366	-
Total without donor restrictions - Council-Designated	<u>326,676</u>	<u>457,209</u>
Total without donor restrictions	<u>969,910</u>	<u>1,082,830</u>

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statements of Financial Position**

	January 31,	
	2019	2018
With donor restrictions		
Bishop's Discretionary Fund	\$ 3,074	\$ 3,769
Amazing Grace Day Camp	12,462	1,775
Lay School of Theology	4,644	4,196
Stewardship	714	1,314
Hunger Leaders Day	368	678
Wellness Grant	16,417	21,121
SOS Disaster Relief	11,416	11,416
Brazil Companion Synod	6,791	10,231
Global Mission Travel	19,367	20,000
Public Policy Task Force	4,500	4,500
Synod Youth / Young Adults Events	600	3,068
Stronger and Better Together	2,005	4,290
Stewardship Academy	1,116	1,416
Anti-Trafficking	-	2,808
Reformation Ministries	-	4,431
Seminary and Lay Education	184,701	185,000
Small Church Maintenance	14,972	18,059
Congregational Vitality Initiative	17,825	-
Stewardship for All Seasons	2,000	-
Thrive! Campaign	8,189	-
Aid to Pastors' Widows and Children	22,982	24,207
Ministerial Pensions	2,468	2,603
Synodical Home Missions	2,653	2,791
Hymnals and Altarware	7,030	7,030
Ministerial Education	50,182	57,291
Handicapped Children	26,600	28,060
Care of Elderly	30,039	35,162
Girls' Scholarships ELV Diocese	9,975	10,000
Undesignated Endowment	15,520	16,373
Total with donor restrictions	<u>478,610</u>	<u>481,589</u>
 Total net assets	 <u>1,448,520</u>	 <u>1,564,419</u>
	 <u><u>\$ 1,815,608</u></u>	 <u><u>\$ 1,970,172</u></u>

The accompanying notes are an integral part of these financial statements.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statement of Activities**

For the year ended January 31, 2019

	Without Donor Restrictions		With Donor	Total
	General	Council- Designated	Restrictions	2019
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,586,555	\$ -	\$ -	\$ 1,586,555
ELCA shared staff support	10,000	-	-	10,000
Building rental income	18,991	-	-	18,991
Oklahoma farmland	12,434	-	-	12,434
Gifts designated for Southern Ohio Synod	43,349	-	116,795	160,144
Miscellaneous income	5,877	-	-	5,877
Investment income	4,139	-	6,157	10,296
Gain (loss) on asset disposition	5,000	(3,500)	-	1,500
TOTAL SUPPORT AND REVENUE	1,686,345	(3,500)	122,952	1,805,797
NET ASSETS RELEASED FROM COUNCIL DESIGNATION OR RESTRICTION	272,909	(162,282)	(110,627)	-
	1,959,254	(165,782)	12,325	1,805,797
EXPENSES				
Program	1,439,632	-	-	1,439,632
Management and general	376,018	-	-	376,018
Building rental expenses	24,644	-	-	24,644
Thrive! campaign	66,098	-	-	66,098
TOTAL EXPENSES	1,906,392	-	-	1,906,392
Transfer of net assets	(35,249)	35,249	-	-
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS	17,613	(130,533)	12,325	(100,595)
Unrealized loss on investments	-	-	(15,304)	(15,304)
CHANGE IN NET ASSETS	\$ 17,613	\$ (130,533)	\$ (2,979)	\$ (115,899)

The accompanying notes are an integral part of these financial statements.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statement of Activities**

For the year ended January 31, 2018

	Without Donor Restrictions		With Donor Restrictions	Total
	General	Council-Designated		2018
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,625,690	\$ -	\$ -	\$ 1,625,690
ELCA shared staff support	10,000	-	-	10,000
Building income	37,331	-	-	37,331
Oklahoma farmland	1,796	-	-	1,796
Gifts designated for Southern Ohio Synod	43,211	2,560	327,959	373,730
Miscellaneous income	27,312	587	-	27,899
Investment return	4,139	2,040	3,645	9,824
TOTAL SUPPORT AND REVENUE	1,749,479	5,187	331,604	2,086,270
NET ASSETS RELEASED FROM COUNCIL DESIGNATION OR RESTRICTION				
	416,554	(218,928)	(197,626)	-
	<u>2,166,033</u>	<u>(213,741)</u>	<u>133,978</u>	<u>2,086,270</u>
EXPENSES				
Program	1,564,748	-	-	1,564,748
Management and general	403,924	-	-	403,924
Building rental expenses	28,866	-	-	28,866
TOTAL EXPENSES	1,997,538	-	-	1,997,538
Transfer of net assets	(31,475)	31,475	-	-
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS				
	137,020	(182,266)	133,978	88,732
Unrealized gain on investments	-	7,117	12,720	19,837
CHANGE IN NET ASSETS	\$ 137,020	\$ (175,149)	\$ 146,698	\$ 108,569

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statement of Functional Expenses**

For the year ended January 31, 2019

	Programs							
	Mission and Ministry	Faith Formation	Leadership	Total Programs	Management and General	Rental Property	Fundraising	Total Expenses
Program grants	\$ 670,722	\$ 20,200	\$ -	\$ 690,922	\$ -	\$ -	\$ -	\$ 690,922
Synod programs and assistance	81,096	81,617	29,424	192,137	5,141	-	-	197,278
Compensation and benefits	42,542	91,967	269,648	404,157	258,400	-	14,391	676,948
Professional and administrative services	4,800	-	4,200	9,000	54,260	-	35,900	99,160
Office operations	10,288	4,560	16,561	31,409	18,097	-	7,252	56,758
Information technology	1,911	1,543	5,380	8,834	10,352	-	220	19,406
Occupancy	7,751	4,990	12,784	25,525	16,020	15,643	4,983	62,171
Travel	25,105	11,971	10,276	47,352	3,603	-	512	51,467
Depreciation	12,530	3,511	14,255	30,296	10,145	9,001	2,840	52,282
	<u>\$ 856,745</u>	<u>\$ 220,359</u>	<u>\$ 362,528</u>	<u>\$ 1,439,632</u>	<u>\$ 376,018</u>	<u>\$ 24,644</u>	<u>\$ 66,098</u>	<u>\$ 1,906,392</u>

The accompanying notes are an integral part of these financial statements.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statement of Functional Expenses**

For the year ended January 31, 2018

	Programs						
	Mission and Ministry	Faith Formation	Leadership	Total Programs	Management and General	Rental Property	Total Expenses
Program grants	\$ 686,470	\$ 20,200	\$ -	\$ 706,670	\$ -	\$ -	\$ 706,670
Synod programs and assistance	108,575	109,480	33,119	251,174	3,053	-	254,227
Compensation and benefits	103,271	88,803	242,085	434,159	255,275	-	689,434
Professional and administrative services	3,900	-	4,000	7,900	58,748	-	66,648
Office operations	11,969	5,127	17,704	34,798	27,787	-	62,585
Information technology	1,723	4,021	14,361	20,106	10,531	-	30,637
Occupancy	9,208	9,051	11,040	29,300	32,094	19,529	80,923
Travel	39,570	8,309	6,761	54,640	1,014	-	55,654
Depreciation	7,388	3,752	14,861	26,001	15,422	9,337	50,760
	<u>\$ 972,074</u>	<u>\$ 248,743</u>	<u>\$ 343,931</u>	<u>\$ 1,564,748</u>	<u>\$ 403,924</u>	<u>\$ 28,866</u>	<u>\$ 1,997,538</u>

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statement of Changes in Net Assets**

	Without Donor Restrictions				With Donor Restrictions		
	General	Unrealized Gain (Loss) on Investments	Council- Designated	Unrealized Gain (Loss) on Investments	With Donor Restrictions	Unrealized Gain (Loss) on Investments	Total Net Assets
Balance at February 1, 2017	\$ 488,601	\$ -	\$ 631,873	\$ 485	\$ 333,843	\$ 1,048	\$ 1,455,850
Change in net assets	137,020	-	(175,149)	-	133,978	12,720	108,569
Balance at January 31, 2018	\$ 625,621	\$ -	\$ 456,724	\$ 485	\$ 467,821	\$ 13,768	\$ 1,564,419
Change in net assets	17,613	-	(130,533)	-	12,325	(15,304)	(115,899)
Balance at January 31, 2019	\$ 643,234	\$ -	\$ 326,191	\$ 485	\$ 480,146	\$ (1,536)	\$ 1,448,520

The accompanying notes are an integral part of these financial statements.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Statements of Cash Flows**

	For the years ended January 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (115,899)	\$ 108,569
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on disposal of fixed assets	(1,500)	(588)
Depreciation	52,282	50,760
Unrealized loss (gain) on investments	15,304	(19,837)
Changes in operating assets and liabilities:		
Advances and accrued interest	78	(105)
Prepaid expenses	3,533	18,232
Payables	(6,018)	(17,623)
Funds held for others	2,807	(10,207)
Net cash provided by (used in) operating activities	(49,413)	129,201
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(8,984)	(7,986)
Proceeds from sale of fixed assets	297,500	4,741
Purchases of fixed assets	(19,655)	(53,137)
Net cash provided by (used in) investing activities	268,861	(56,382)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	-	11,175
Repayments on long term debt	(35,454)	(51,263)
Net cash used in financing activities	(35,454)	(40,088)
NET INCREASE IN CASH AND CASH EQUIVALENTS	183,994	32,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	394,822	362,091
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 578,816	\$ 394,822
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 15,381	\$ 18,926
Taxes	\$ 1,325	\$ 973

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2019 and 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Southern Ohio Synod (the "Synod") is presented to assist in understanding the Synod's financial statements. The financial statements and notes are representations of the Synod's management, who is responsible for their integrity and objectivity.

Organization Activity - The Synod is a regional religious organization located in Southern Ohio which receives contributions from approximately 187 congregations and other sources. Some of the funds received are forwarded to the Evangelical Lutheran Church in America (ELCA). The remaining funds not forwarded to the ELCA are used to support synodical ministries.

Tax Status - The Synod is exempt from income taxes under applicable provisions of Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - The financial statements are presented in accordance with the Standards of Accounting and Financial Reporting for Certain Nonprofit Organizations issued by the American Institute of Certified Public Accountants. All accounting is on the accrual basis except mission support contributions which are recognized when received because their receipt is on a voluntary basis. The Synod has adopted the Statement of Financial Accounting Standard for Financial Statements of Not-for-Profit Organizations. Under this standard, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Descriptions are as follows:

Net Assets Without Donor Restrictions - Net assets for the general operations and not subject to donor restrictions. The Synod Council has designated, from net assets without donor restrictions, net assets for a specific use. These uses are:

Living Christ - Established with unrestricted proceeds from dissolved congregations to provide assistance to developing and redeveloping congregations.

Bishop's Discretionary Fund - Established for confidential assistance at the sole discretion of bishop. Funded through budget and council designation of unrestricted gifts.

Technology Improvements - Established to provide for improvements in synod office technology. Funded through budget.

Building Improvements - Established to provide for building improvements and major repairs. Funded through budget.

Automobile Replacement - Established to provide for replacement of synod staff automobiles. Funded through budget.

Staff Continuing Education - Established to provide flexibility in scheduling staff continuing education. Funded through budget.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2019 and 2018**

Thrive! Campaign (Council) - Established for council-designated contributions to Thrive! Campaign. Initially funded from sale of Bellbrook real estate.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. 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 the resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The net assets with donor restrictions includes:

Bishop's Discretionary Fund - Established with restricted contributions for confidential assistance at the sole discretion of bishop.

Amazing Grace Day Camp - Established with contributions restricted for Amazing Grace Day Camp program.

Lay School of Theology - Established with restricted contributions and registration fees for costs of Lay School of Theology program.

Stewardship - Established with grant for stewardship programs.

Hunger Leaders Day - Established with grants for Hunger Leaders events.

Wellness Grants - Established with grants for synod wellness projects.

SOS Disaster Relief - Established with restricted contributions for disaster relief in Southern Ohio Synod.

Brazil Companion Synod - Established with restricted contributions for expenses and program to promote relationship with Brazil companion synod.

Global Mission Travel - Established with restricted contributions for global mission travel expenses.

Public Policy Task Force - Established with grants to support public policy program.

Synod Youth / Young Adult Events - Established with restricted contributions for synod youth and young adult programs.

Stronger and Better Together - Established with restricted contributions to support the synod's Stronger & Better Together program.

Stewardship Academy - Established with a grant restricted for stewardship events.

Anti-Trafficking - Established with a grant for programs to combat human trafficking.

Seminary and Lay Education - Established with restricted contributions to provide grants for seminary and lay education.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2019 and 2018**

Small Church Maintenance - Established with restricted contributions to assist small churches with maintenance projects.

Reformation Ministries - Established with contributions restricted for mission starts and redeveloping congregations.

Congregational Vitality Initiative - Established with grant restricted for synod congregational vitality program.

Stewardship for All Seasons - Established with restricted contributions to synod stewardship program.

Thrive! Campaign - Established with restricted contributions for synod Thrive! Campaign.

Aid to Pastors' Widows and Children - Established with endowed bequests, with earnings used "for the widows and children of pastors of the Synod of Ohio."

Ministerial Pensions - Established with an endowed bequest, with earnings used "for the support of aged ministers."

Synodical Home Missions - Established with an endowed bequest, with earnings used "for assisting in supplying pastors for needy congregations."

Hymnals and Altarware - Established with restricted contributions "for the purpose of providing hymnals, altarware, and similar items for mission congregations."

Ministerial Education - Established with an endowed bequest, with earnings used "for ministerial education."

Handicapped Children - Established with bequest and endowed by Synod Council, with earnings used "for the care and assistance of physically and mentally handicapped children."

Care of Elderly - Established with bequest and endowed by Synod Council, with earnings used "for the care and assistance of elderly people."

Girls' Scholarships ELV Diocese - Established with endowed restricted contributions, with earnings used for girls' scholarships in the ELV Diocese.

Undesignated Endowment - Established with restricted contributions, with earnings used for special synod projects.

Cash and Cash Equivalents - Cash equivalents are all highly liquid investments and deposits with maturities of three months or less when originally deposited or purchased.

Cash Flows Statement - Deposits in commercial checking accounts and amounts invested in short-term commercial paper having maturities of three months or less are deemed to be cash equivalents. The carrying amount of cash equivalents (cost) approximates the fair value of such assets.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2019 and 2018**

The Synod paid \$1,325 and \$973 for taxes on unrelated business income during the years ended January 31, 2019 and 2018, respectively.

Investment Fund - The Synod carries its investments at fair value and reflects the changes in unrealized appreciation or depreciation in the Statement of Activities. The investment assets have been designated by the Synod Council as long-term.

The specific identification method is used in determining gains or losses realized from the sale of investments from the fund.

Property and Equipment - Fixed assets purchased are recorded at cost and those donated are recorded at fair market value at the date of gift. Upon disposal, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations. Expenditures for routine maintenance, repairs, and renewals are charged to expense as incurred, whereas betterments and improvements that extend the useful lives of the assets are capitalized. Depreciation is computed on the straight-line method using the following lives for each asset classification:

Office and computer equipment	5 - 10 years
Furniture and fixtures	10 years
Vehicles	4 years
Administration facility	10 - 40 years

Depreciation expense was \$52,282 and \$50,760 during the years ended January 31, 2019 and 2018, respectively.

Revenue Recognition - The Synod's revenues consist of contributions by Synod congregations and grant income. Revenues are recognized when earned.

Recently Issued Accounting Pronouncements - From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Synod as of the specified effective date. Unless otherwise discussed, the Synod believes that the impact of other recently issued accounting pronouncements will not have a material impact on the statements of financial position, statements of activities, net assets and cash flows, or do not apply to the Synod's operations.

In May 2014, the FASB issued an amendment to the accounting guidance for revenue recognition. The guidance is effective prospectively for private companies for fiscal years beginning after December 15, 2018 (the Synod's fiscal year ending January 31, 2020). Management is evaluating the impact of the adoption of this guidance on the Synod's financial statements.

Reclassifications - Certain reclassifications have been made to the January 31, 2018 financial statements in order to conform to the January 31, 2019 presentation. Such reclassifications have no effect on previously reported changes in net assets.

Subsequent events - The Synod has evaluated subsequent events through March 27, 2019, the date that the Synod's annual financial statements were issued.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2019 and 2018**

B. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of January 31, 2019 and 2018:

Financial assets at January 31	2019	2018
Cash	\$ 578,816	\$ 394,822
ELCA mission investment fund	205,127	202,300
ELCA endowment fund	161,102	170,249
Total financial assets	\$ 945,045	\$ 767,371
Less financial assets not available		
Funds held for others	10,919	8,112
Net assets with donor restrictions	478,610	481,589
Net assets designated by synod council	326,676	156,207
Total financial assets not available	816,205	645,909
Net financial assets available to meet general expenditures within one year	\$ 128,840	\$ 121,462

C. CONCENTRATIONS OF CREDIT RISK

The Synod maintains its commercial deposits with a local financial institution. Commercial deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the cash balances on deposit may exceed the FDIC insured limits. To date, the Synod has not experienced any losses in such account and believes it is not exposed to any significant credit risk on its cash deposits.

D. FUNDS HELD FOR OTHERS

Contributions that are designated for specific organizations or ministries not administered by the Synod are recorded as a current liability until forwarded to the proper organization or agency. The Synod's policy is to distribute the contributions on a monthly basis.

E. ELCA CHURCHWIDE PARTICIPATION

Participation of the Synod in ministry through the ELCA was calculated at 40.00% of the net unrestricted mission support contributions received for the years ended January 31, 2019 and 2018.

F. PENSION AND BENEFIT PLANS

All eligible employees of the Synod are covered by various defined contribution pension and other benefit plans administered by the ELCA. The Synod's expense for these plans was \$187,007 and \$173,150 during the years ended January 31, 2019 and 2018, respectively.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
Notes to the Financial Statements
January 31, 2019 and 2018

G. INVESTMENT FUND

Investments consisted of the following assets measured at fair value on a recurring basis, by the ELCA, at January 31, 2019 and 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
January 31, 2019				
Certificates of Deposit	\$ 205,127	\$ -	\$ -	\$ 205,127
Mutual Funds	151,661	9,441	-	161,102
Mutual Funds	<u>\$ 356,788</u>	<u>\$ 9,441</u>	<u>\$ -</u>	<u>\$ 366,229</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
January 31, 2018				
Certificates of Deposit	\$ 202,300	\$ -	\$ -	\$ 202,300
Mutual Funds	145,504	24,745	-	170,249
Mutual Funds	<u>\$ 347,804</u>	<u>\$ 24,745</u>	<u>\$ -</u>	<u>\$ 372,549</u>

The following is a summary of investment income and its classification in the Statement of Activities for the years ended January 31, 2019 and 2018:

January 31, 2019				
	General	Council- Designated	With Donor Restrictions	Total
Dividends and interest	\$ <u>4,139</u>	\$ <u>-</u>	\$ <u>6,157</u>	\$ <u>10,296</u>

January 31, 2018				
	General	Council- Designated	With Donor Restrictions	Total
Dividends and interest	\$ <u>4,139</u>	\$ <u>2,040</u>	\$ <u>3,645</u>	\$ <u>9,824</u>

**Southern Ohio Synod
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H. FAIR VALUE MEASUREMENTS

FASB Codification for Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Synod has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value ("NAV") of shares held at year end.

Bellbrook property: Valued at the value of comparable religious facility sales in the state.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Synod believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Southern Ohio Synod
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January 31, 2019 and 2018

The following table sets forth by level, within the fair value hierarchy, the Synod's assets at fair value as of January 31, 2019 and 2018.

	January 31, 2019	Quoted Market Prices In Active Markets for Identical Assets (Level 1)	Quoted Market Prices In Active Markets for Identical Assets (Level 2)
Equity Mutual Funds	\$ 161,102	\$ 161,102	\$ -
Certificates of Deposit	205,127	-	205,127
	<u>\$ 366,229</u>	<u>\$ 161,102</u>	<u>\$ 205,127</u>
	January 31, 2018	Quoted Market Prices In Active Markets for Identical Assets (Level 1)	Quoted Market Prices In Active Markets for Identical Assets (Level 2)
Equity Mutual Funds	\$ 170,249	\$ 170,249	\$ -
Certificates of Deposit	202,300	-	202,300
Bellbrook property (Note L)	301,000	-	301,000
	<u>\$ 673,549</u>	<u>\$ 170,249</u>	<u>\$ 503,300</u>

I. LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of:

	January 31, 2019	2018
Note payable to a lending institution, due in 48 monthly installments, commenced May 28, 2014, of \$512 including principal and interest at 1.90%; collateralized by a vehicle; final payment was made during the year ended January 31, 2019.	\$ -	\$ 1,532
Note payable to a lending institution, due in 48 monthly installments, commenced May 28, 2014, of \$493 including principal and interest at 8.29%; collateralized by a vehicle; final payment was made during the year ended January 31, 2019.	-	1,371
Mortgage payable to a bank, due in monthly installments, commenced November 14, 2017, of \$3,796 including principal and interest at 4.875%; collateralized by real property and building; final payment is due on November 1, 2027.	316,190	343,197

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January 31, 2019 and 2018

	January 31, 2019	2018
Note payable to a lending institution, due in 48 monthly installments, commenced July 21, 2017, of \$511 including principal and interest at 3.89%; collateralized by a vehicle; final payment is due on July 21, 2021.	14,036	19,580
Total long-term obligations	330,226	365,680
Less current maturities	36,501	37,920
Long-term obligations, net of current maturities	<u>\$ 293,725</u>	<u>\$ 327,760</u>

Long-term obligations maturing in succeeding fiscal years ending are as follows:

January 31, 2020	\$ 36,501
2021	38,263
2022	36,413
2023	35,661
2024	37,439
Thereafter	145,949
	<u>\$ 330,226</u>

J. DONATED SERVICES

The Synod receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because the criterion for recognition of such volunteer effort under the standard for *Accounting for Contributions Received and Contributions Made* has not been satisfied.

K. FARMLAND - OKLAHOMA

The Synod assumed ownership of 156 acres of farmland in the state of Oklahoma due to a church closure. The property provides net income annually to the Synod through farming. The net income received during the fiscal years ended January 31, 2019 and 2018 was \$12,434 and \$1,796, respectively. This property was received during the year ended January 31, 2005, and its carrying value of \$80,000 was based on sales price of similar parcels in the general area at that time.

L. PROPERTY RECEIVED

In February of 2015, the Synod assumed ownership of a 9,057 square foot church building on 4.5 acres of land in Bellbrook, Ohio. The value of \$301,000 was estimated based on a valuation prepared by a third party. In order to value the property, the third party used a variety of properties for comparable religious facility sales in the state. The Synod believes that this was a conservative estimate for the fair value of the building. During November 2018, the property was sold. The funds that were received for the property were designated to the council-designated net assets. Ten percent of the net funds received were designated to the Thrive! Campaign.

SUPPLEMENTARY INFORMATION

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
**Schedule of Changes in Net Assets Without Donor Restrictions -
Council-Designated and Net Assets With Donor Restrictions**
For the year ended January 31, 2019

	Balance February 1, 2018	Additions	Deductions	Balance January 31, 2019
NET ASSETS WITHOUT DONOR RESTRICTIONS -				
COUNCIL DESIGNATED:				
Living Christ	\$ 401,509	-	168,874	\$ 232,635
Bishop's Discretionary Fund	17,080	3,000	1,613	18,467
Technology Improvements	6,000	2,000	1,506	6,494
Building Improvements	5,866	5,000	-	10,866
Automobile Replacement	26,754	22,217	19,655	29,316
Staff Continuing Education	-	2,532	-	2,532
Thrive! Campaign (Council)	-	26,366	-	26,366
	<u>457,209</u>	<u>61,115</u>	<u>191,648</u>	<u>326,676</u>
NET ASSETS WITH DONOR RESTRICTIONS:				
Bishop's Discretionary Fund	3,769	458	1,153	3,074
Amazing Grace Day Camp	1,775	26,623	15,936	12,462
Lay School of Theology	4,196	4,330	3,882	4,644
Stewardship	1,314	10	610	714
Hunger Leaders Day	678	-	310	368
Wellness Grant	21,121	-	4,704	16,417
SOS Disaster Relief	11,416	-	-	11,416
Brazil Companion Synod	10,231	-	3,440	6,791
Global Mission Travel	20,000	-	633	19,367
Public Policy Task Force	4,500	-	-	4,500
Synod Youth / Young Adults Events	3,068	449	2,917	600
Stronger and Better Together	4,290	5,868	8,153	2,005
Stewardship Academy	1,416	-	300	1,116
Anti-Trafficking	2,808	-	2,808	-
Reformation Ministries	4,431	6,756	11,187	-
Seminary and Lay Education	185,000	-	299	184,701
Small Church Maintenance	18,059	-	3,087	14,972
Congregational Vitality Initiative	-	25,400	7,575	17,825
Stewardship for All Seasons	-	2,000	-	2,000
Thrive! Campaign	-	44,405	36,216	8,189
Aid to Pastors' Widows and Children	24,207	-	1,225	22,982
Ministerial Pensions	2,603	-	135	2,468
Synod Home Missions	2,791	-	138	2,653
Hymnals and Altarware	7,030	-	-	7,030
Ministerial Education	57,291	-	7,109	50,182
Handicapped Children	28,060	-	1,460	26,600
Care of Elderly	35,162	-	5,123	30,039
Girls' Scholarships ELV Diocese	10,000	496	521	9,975
Undesignated Endowment	16,373	-	853	15,520
	<u>481,589</u>	<u>116,795</u>	<u>119,774</u>	<u>478,610</u>
Total Changes in Net Assets Without Donor Restrictions - Council-Designated and Net Assets With Donor Restrictions	<u><u>\$ 938,798</u></u>	<u><u>\$ 177,910</u></u>	<u><u>\$ 311,422</u></u>	<u><u>\$ 805,286</u></u>

See accountant's report.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
**Schedule of Changes in Net Assets Without Donor Restrictions -
Council-Designated and Net Assets With Donor Restrictions**
For the year ended January 31, 2018

	Balance February 1, 2017	Additions	Deductions	Balance January 31, 2018
NET ASSETS WITHOUT DONOR RESTRICTIONS -				
COUNCIL DESIGNATED:				
Living Christ	\$ 419,481	9,217	27,189	\$ 401,509
Bishop's Discretionary Fund	31,000	3,000	16,920	17,080
Technology Improvements	4,000	2,000	-	6,000
Building Improvements	10,000	5,000	9,134	5,866
Automobile Replacement	36,692	22,062	32,000	26,754
AGM Foundation Unrestricted Receipts	131,185	-	131,185	-
Resource Team	-	2,500	2,500	-
	<u>632,358</u>	<u>43,779</u>	<u>218,928</u>	<u>457,209</u>
NET ASSETS WITH DONOR RESTRICTIONS:				
Bishop's Discretionary Fund	12,750	100	9,081	3,769
Amazing Grace Day Camp	-	43,375	41,600	1,775
Lay School of Theology	5,144	3,600	4,548	4,196
Stewardship	4,234	-	2,920	1,314
Hunger Leaders Day	678	-	-	678
Wellness Grant	79,010	-	57,889	21,121
SOS Disaster Relief	11,416	-	-	11,416
Brazil Companion Synod	13,984	-	3,753	10,231
Public Policy Task Force	12,714	14,500	22,714	4,500
Synod Youth / Young Adults Events	8,312	200	5,444	3,068
Stronger and Better Together	7,218	4,935	7,863	4,290
Stewardship Academy	4,500	-	3,084	1,416
Anti-Trafficking	8,500	989	6,681	2,808
Reformation Ministries	1,947	19,161	16,677	4,431
Seminary and Lay Education	-	185,000	-	185,000
Small Church Maintenance	-	23,059	5,000	18,059
Aid to Pastors' Widows and Children	21,937	2,420	150	24,207
Ministerial Pensions	3,787	396	1,580	2,603
Synodical Home Missions	2,539	252	-	2,791
Hymnals and Altarware	7,030	-	-	7,030
Ministerial Education	51,872	5,419	-	57,291
Handicapped Children	27,808	2,905	2,653	28,060
Care of Elderly	34,687	3,624	3,149	35,162
Girls' Scholarships ELV Diocese	-	12,840	2,840	10,000
Undesignated Endowment	14,824	1,549	-	16,373
	<u>334,891</u>	<u>344,324</u>	<u>197,626</u>	<u>481,589</u>
Total Changes in Net Assets Without Donor Restrictions - Council-Designated and Net Assets With Donor Restrictions	<u><u>\$ 967,249</u></u>	<u><u>\$ 388,103</u></u>	<u><u>\$ 416,554</u></u>	<u><u>\$ 938,798</u></u>

See accountant's report.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Schedules of Unrestricted Expenses**

		For the years ended	
		January 31,	
		2019	2018
MISSION AND MINISTRY:			
Churchwide:			
ELCA	\$	634,622	\$ 650,346
Total Churchwide Mission Support		634,622	650,346
Outreach Ministries and Support:			
Congregational Redevelopment		16,000	12,000
Total Outreach Ministries and Support		16,000	12,000
Affiliates and Partnership:			
Capital University		600	600
Wittenberg University		600	600
Trinity Lutheran Seminary		15,200	15,200
Region VI		8,700	8,724
Planned Giving		9,167	-
Lutheran Disaster Response Ohio		10,000	10,000
Total Affiliates and Partnership		44,267	35,124
Ecumenical:			
Ohio Council of Churches		1,000	1,000
Ecumenical Participation		-	100
Total Ecumenical		1,000	1,100
TOTAL MISSION AND MINISTRY		695,889	698,570
FAITH FORMATION:			
Youth and Family:			
Youth and Family Program		4,765	4,437
Lutheran Outdoor Ministries of Ohio - Amazing Grace Program		12,400	12,400
Lutheran Outdoor Ministries of Ohio - Direct Grant		20,200	20,200
Total Youth and Family		37,365	37,037
Southern Ohio Synod - Campus Ministry:			
Jacob's Porch, Ohio State University		25,200	25,200
Ohio University, Athens		10,200	10,200
Miami University, Oxford		10,200	10,200
Total Southern Ohio Synod - Campus Ministry		45,600	45,600
TOTAL FAITH FORMATION		82,965	82,637

**Southern Ohio Synod
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Schedules of Unrestricted Expenses**

	For the years ended	
	January 31,	
	2019	2018
LEADERSHIP:		
Leadership Development and Support:		
Candidacy	\$ 13,082	\$ 9,217
First Call Retreat	340	1,044
Total Leadership Development and Support	13,422	10,261
 Synod Leadership:		
Synod Council Expenses	1,391	1,515
Synod Assembly Expenses (net)	3,664	1,538
Committees and Task Forces	86	-
Meals and Hospitality (Leadership)	5,290	9,493
Bishop's Discretionary	3,000	3,000
Total Synod Leadership	13,431	15,546
 Less: net assets designated by Synod Council	(3,000)	(3,000)
 TOTAL LEADERSHIP	23,853	22,807
 MISSION AND MINISTRY COORDINATION:		
Technology:		
Technology Applications	6,177	5,975
Technology Services	11,617	12,904
Technology Improvements	2,000	2,000
Total Technology	19,794	20,879
 Office Operations:		
Bank Service Charges	5,088	5,118
Office Supplies	7,984	10,499
Postage	4,642	4,451
Telephone and Internet Access	13,991	12,799
Equipment Rental and Repair	16,441	21,026
Meals and Hospitality (Office)	3,037	4,463
Insurance	2,508	2,506
Office Depreciation	2,526	2,204
Legal Services	-	828
Accounting and Auditing Fees	46,765	48,751
Total Office Operations	102,982	112,645

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Schedules of Unrestricted Expenses**

	For the years ended	
	January 31,	
	2019	2018
Building Expenses:		
Building Maintenance	\$ 21,637	\$ 26,937
Building Depreciation	27,539	27,082
Building Insurance	6,442	6,560
Janitorial Expenses	8,400	8,609
Utilities	7,886	9,023
Real Estate Taxes	3,058	4,639
Mortgage Interest Expenses	14,748	17,816
Refinancing Expenses	-	7,339
Total Building Expenses	<u>89,710</u>	<u>108,005</u>
Synod Staff:		
Bishop and Assistant Salaries	285,565	243,748
Supplemental and Support Salaries	191,906	191,825
Portico Benefits	187,007	173,150
Payroll Taxes and Expenses	16,029	16,345
Total Synod Staff	<u>680,507</u>	<u>625,068</u>
Staff Expenses:		
Automobile Expenses	16,275	16,202
Auto Loan Interest	633	1,110
Automobile Depreciation / Replacement	22,217	21,475
Continuing Education	5,000	12,403
Travel	23,058	29,286
Professional Expenses	817	729
Vacation Accrual	(6,028)	2,164
Total Staff Expenses	<u>61,972</u>	<u>83,369</u>
Less: net assets designated by Synod Council	<u>(4,532)</u>	<u>(2,000)</u>
TOTAL MISSION AND MINISTRY COORDINATION	<u>950,433</u>	<u>947,966</u>
TOTAL EXPENSES	<u><u>\$ 1,753,140</u></u>	<u><u>\$ 1,751,980</u></u>