

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

In planning and performing our audit of the financial statements of the Southern Ohio Synod of the Evangelical Lutheran Church in America (the "Synod") as of and for the year ended January 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Synod's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Synod's internal control. Accordingly, we do not express an opinion on the effectiveness of the Synod's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Synod's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Synod Council, and others within the Synod, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Apple Growth Partners

Akron, Ohio
April 7, 2020

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April 7, 2020

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

We have audited the financial statements of the Southern Ohio Synod of the Evangelical Lutheran Church of America, (the "Synod") for the year ended January 31, 2020, and have issued our report thereon dated April 7, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 13, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Synod are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Synod during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no estimates that were significant or unusual.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedules summarize corrected and uncorrected misstatements of the financial statements. You have represented to us in your letter dated April 7, 2020 that you have considered the effects of uncorrected misstatements and that their effects are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 7, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors and management of the Synod and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Apple Growth Partners

Client: **69613.2001 - Southern Ohio Synod**
 Engagement: **2020 AUD - Southern Ohio Synod**
 Period Ending: **1/31/2020**
 Trial Balance: **1400 - TB Database**
 Workpaper: **1500 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		2301		
PBC entry to record the current portion and long-term portion of pledges receivable.				
11410001	Pledges Receivable - Current		47,099.00	
11910002	Pledges Receivable - Long Term		33,344.00	
18250099	DR-Thrive! Pledges Receivable			80,443.00
Total			<u>80,443.00</u>	<u>80,443.00</u>

Southern Ohio Synod of the Evangelical Lutheran Church in America

Financial Statements and
Independent Auditor's Report with
Supplementary Information

January 31, 2020 and 2019

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

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

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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, 2020 and 2019, 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, 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.

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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
April 7, 2020

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

	January 31,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents:		
Commercial deposits	\$ 1,239,905	\$ 578,816
Advances	6,296	527
Accrued interest	1,139	883
Pledges receivable - current	47,099	-
Prepaid expenses	12,414	12,154
Total current assets	1,306,853	592,380
Investments (invested with)		
ELCA Mission Investment Fund	208,046	205,127
ELCA Endowment Fund	180,138	161,102
Government and agencies	1,086	-
	389,270	366,229
Equipment, furniture and vehicles		
Equipment, furniture and vehicles	186,032	210,966
Less accumulated depreciation	(134,936)	(140,063)
Net equipment, furniture and vehicles	51,096	70,903
Administration facility		
Administration facility	-	797,479
Land - administration facility	-	390,000
Less accumulated depreciation	-	(481,383)
Property and facility, net	-	706,096
Other assets		
Land - Oklahoma property	80,000	80,000
Pledges receivable - noncurrent	33,344	-
Total other assets	113,344	80,000
	\$ 1,860,563	\$ 1,815,608

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

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

	January 31,	
	2020	2019
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	\$ 5,908	\$ 36,501
Accounts payable	36,846	25,943
Funds held for others	6,584	10,919
Total current liabilities	49,338	73,363
Long-term debt, net of current maturities	2,445	293,725
	51,783	367,088
NET ASSETS		
Without donor restrictions - General	185,204	643,234
Without donor restrictions - Council-Designated		
Living Christ	366,173	232,635
Bishop's Discretionary Fund	13,228	18,467
Technology Improvements	7,494	6,494
Leasehold Improvements	15,866	10,866
Automobile Replacement	51,147	29,316
Staff Continuing Education	2,131	2,532
Thrive! Campaign (Council)	769	26,366
Sale of Office Building	587,725	-
Total without donor restrictions - Council-Designated	1,044,533	326,676
Total without donor restrictions	1,229,737	969,910

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

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

	January 31,	
	2020	2019
With donor restrictions		
Bishop's Discretionary Fund	\$ 213	\$ 3,074
Amazing Grace Day Camp	8,914	12,462
Lay School of Theology	2,786	4,644
Stewardship	-	714
Hunger Leaders Day	368	368
Wellness Grant	13,611	16,417
SOS Disaster Relief	12,841	11,416
Brazil Companion Synod	6,791	6,791
Global Mission Travel	15,829	19,367
Public Policy Task Force	-	4,500
Synod Youth / Young Adults Events	100	600
Stronger and Better Together	-	2,005
Stewardship Academy	-	1,116
Reformation Ministries	-	-
Seminary and Lay Education	182,573	184,701
Small Church Maintenance	7,972	14,972
Congregational Vitality Initiative	34,276	17,825
Stewardship for All Seasons	-	2,000
Thrive! Campaign	48,300	8,189
Thrive! Pledges Receivable	80,443	-
Aid to Pastors' Widows and Children	25,698	22,982
Ministerial Pensions	2,760	2,468
Synodical Home Missions	2,967	2,653
Hymnals and Altarware	7,030	7,030
Ministerial Education	36,929	50,182
Handicapped Children	29,743	26,600
Care of Elderly	30,352	30,039
Girls' Scholarships ELV Diocese	11,194	9,975
Undesignated Endowment	17,353	15,520
Total with donor restrictions	579,043	478,610
Total net assets	1,808,780	1,448,520
	\$ 1,860,563	\$ 1,815,608

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, 2020

	Without Donor Restrictions			Total 2020
	General	Council- Designated	With Donor Restrictions	
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,645,957	\$ -	\$ -	\$ 1,645,957
ELCA shared staff support	10,000	-	-	10,000
Building rental income	1,300	-	-	1,300
Oklahoma farmland	482	-	-	482
Gifts designated for Southern Ohio Synod	17,645	191,716	269,383	478,744
Miscellaneous income	4,047	-	-	4,047
Investment income	7,845	-	6,105	13,950
Gain on disposition of auto	-	2,000	-	2,000
Gain on sale of office building	243,113	-	-	243,113
TOTAL SUPPORT AND REVENUE	1,930,389	193,716	275,488	2,399,593
NET ASSETS RELEASED FROM COUNCIL DESIGNATION OR RESTRICTION				
	275,622	(87,716)	(187,906)	-
	2,206,011	106,000	87,582	2,399,593
EXPENSES				
Program	1,477,515	-	-	1,477,515
Management and general	416,280	-	-	416,280
Thrive! campaign	158,389	-	-	158,389
TOTAL EXPENSES	2,052,184	-	-	2,052,184
Transfer of net assets	(611,857)	611,857	-	-
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS	(458,030)	717,857	87,582	347,409
Unrealized gain on investments	-	-	12,851	12,851
CHANGE IN NET ASSETS	\$ (458,030)	\$ 717,857	\$ 100,433	\$ 360,260

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 Restrictions	Total 2019
	General	Council- Designated		
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,586,555	\$ -	\$ -	\$ 1,586,555
ELCA shared staff support	10,000	-	-	10,000
Building 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 LOSS 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 Functional Expenses**

For the year ended January 31, 2020

	Programs							
	Mission and Ministry	Faith Formation	Leadership	Thrive! Programs	Total Programs	Management and General	Thrive! Campaign	Total Expenses
Program grants	\$ 684,483	\$ 20,200	\$ -	\$ -	\$ 704,683	\$ -	\$ -	\$ 704,683
Synod programs and assistance	85,537	85,728	30,585	1,226	203,076	4,605	-	207,681
Compensation and benefits	72,430	92,220	175,196	5,000	344,846	286,280	72,293	703,419
Professional and administrative services	25,500	-	20,500	20,076	66,076	50,076	51,218	167,370
Office operations	11,303	4,787	16,551	-	32,641	17,052	27,109	76,802
Information technology	1,912	1,155	3,589	-	6,656	10,430	748	17,834
Occupancy	14,853	9,324	18,733	-	42,910	32,817	4,900	80,627
Travel	23,437	8,855	12,386	753	45,431	3,333	326	49,090
Depreciation	17,807	2,962	10,427	-	31,196	11,687	1,795	44,678
	<u>\$ 937,262</u>	<u>\$ 225,231</u>	<u>\$ 287,967</u>	<u>\$ 27,055</u>	<u>\$ 1,477,515</u>	<u>\$ 416,280</u>	<u>\$ 158,389</u>	<u>\$ 2,052,184</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, 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 Changes in Net Assets**

	Without Donor Restrictions			With Donor Restrictions		Total Net Assets	
	General	Unrealized Gain (Loss) on Investments	Council- Designated	Unrealized Gain (Loss) on Investments	With Donor Restrictions		Unrealized Gain (Loss) on Investments
Balance at							
February 1, 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
Change in net assets	(458,030)	-	717,857	-	87,582	12,851	360,260
Balance at							
January 31, 2020	\$ 185,204	\$ -	\$ 1,044,048	\$ 485	\$ 567,728	\$ 11,315	\$ 1,808,780

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,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 360,260	\$ (115,899)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on disposal of fixed assets	(243,113)	(1,500)
Depreciation	44,678	52,282
Unrealized (gain) loss on investments	(12,851)	15,304
Changes in operating assets and liabilities:		
Advances and accrued interest	(6,025)	78
Pledges receivable	(80,443)	-
Prepaid expenses	(260)	3,533
Accounts payable	10,903	(6,018)
Funds held for others	(4,335)	2,807
Net cash provided by (used in) operating activities	68,814	(49,413)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(10,190)	(8,984)
Proceeds from sale of fixed assets	927,037	297,500
Purchases of fixed assets	(2,699)	(19,655)
Net cash provided by investing activities	914,148	268,861
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on long term debt	(321,873)	(35,454)
Net cash used in financing activities	(321,873)	(35,454)
NET INCREASE IN CASH AND CASH EQUIVALENTS	661,089	183,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	578,816	394,822
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,239,905	\$ 578,816
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 16,163	\$ 15,381
Taxes	\$ -	\$ 1,325

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

**Southern Ohio Synod
of the Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2020 and 2019**

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 186 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 the bishop. Funded through budget and council designation of unrestricted gifts.

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

Leasehold Improvements - Established to provide for improvements and major repairs to synod office facilities. 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, 2020 and 2019**

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

Sale of Office Building - Established to provide for expenses associated with relocating the synod office to a leased facility. Funded from proceeds from the sale of the synod office building.

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.

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.

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

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

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

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.

Thrive! Pledges Receivable - Established to record unreceived restricted pledges 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.

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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.

The Synod paid \$1,325 for taxes on unrelated business income during the year ended January 31, 2019. The Synod did not pay taxes on unrelated business income during the year ended January 31, 2020.

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.

Pledges Receivable - Pledges receivable are primarily from individuals and businesses in the local community and are reflected at the present value of the estimated future cash flows using the applicable discount rate. Management does not believe any allowance is considered necessary for these receivables.

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 \$44,678 and \$52,282 during the years ended January 31, 2020 and 2019, respectively.

Revenue Recognition - Revenue from Contracts with Customers, Topic 606 - Revenue from Contracts with Customers supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, as well as most industry-specific guidance, and provides a principles-based, comprehensive framework in Topic 606, Revenue from Contracts with Customers. This standard also specifies the accounting for certain costs to obtain or fulfill a contract with a customer and provides enhanced disclosure requirements. The Synod's revenues consist of contributions by Synod congregations and grant income. Revenues are recognized when earned. The adoption of this standard had no material impact on the financial statements.

Reclassifications - Certain reclassifications have been made to the January 31, 2019 financial statements in order to conform to the January 31, 2020 presentation. Such reclassifications have no effect on previously reported changes in net assets.

**Southern Ohio Synod
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Notes to the Financial Statements
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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, 2020 and 2019:

Financial assets at January 31	2020	2019
Cash	\$ 1,239,905	\$ 578,816
Pledges receivable	47,099	-
ELCA mission investment fund	208,046	205,127
ELCA endowment fund	180,138	161,102
Government and agencies	1,086	-
Total financial assets	\$ 1,676,274	\$ 945,045
Less financial assets not available		
Funds held for others	6,584	10,919
Net assets with donor restrictions	545,699	478,610
Net assets designated by synod council	1,044,533	326,676
Total financial assets not available	1,596,816	816,205
Net financial assets available to meet general expenditures within one year	\$ 79,458	\$ 128,840

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, 2020 and 2019.

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 \$171,621 and \$187,007 during the years ended January 31, 2020 and 2019, respectively.

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G. INVESTMENT FUND

Investments consisted of the following assets measured at fair value on a recurring basis, by the ELCA, at January 31, 2020 and 2019:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
January 31, 2020				
Certificates of Deposit	\$ 208,046	\$ -	\$ -	\$ 208,046
Mutual Funds	158,040	22,098	-	180,138
U.S. Government Obligations	1,086	-	-	1,086
	<u>\$ 367,172</u>	<u>\$ 22,098</u>	<u>\$ -</u>	<u>\$ 389,270</u>

	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
	<u>\$ 356,788</u>	<u>\$ 9,441</u>	<u>\$ -</u>	<u>\$ 366,229</u>

The following is a summary of investment income and its classification in the Statement of Activities for the years ended January 31, 2020 and 2019:

	January 31, 2020			
	General	Council- Designated	With Donor Restrictions	Total
Dividends and interest	\$ <u>7,845</u>	\$ <u>-</u>	\$ <u>6,105</u>	\$ <u>13,950</u>

	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>

**Southern Ohio Synod
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Notes to the Financial Statements
January 31, 2020 and 2019**

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.

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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The following table sets forth by level, within the fair value hierarchy, the Synod's assets at fair value as of January 31, 2020 and 2019.

	January 31, 2020	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	\$ 180,138	\$ 180,138	\$ -
Certificates of Deposit	208,046	-	208,046
U.S. Government Obligations	1,086	1,086	-
	<u>\$ 389,270</u>	<u>\$ 181,224</u>	<u>\$ 208,046</u>

	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>

I. LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of:

	January 31, 2020	2019
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 was made during January 2020.	\$ -	\$ 316,190
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.	<u>8,353</u>	<u>14,036</u>
Total long-term obligations	8,353	330,226
Less current maturities	<u>5,908</u>	<u>36,501</u>
Long-term obligations, net of current maturities	<u>\$ 2,445</u>	<u>\$ 293,725</u>

**Southern Ohio Synod
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Long-term obligations maturing in succeeding fiscal years ending are as follows:

January 31, 2021	\$	5,908
2022		<u>2,445</u>
	\$	<u>8,353</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, 2020 and 2019 was \$482 and \$12,434, 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.

M. SUBSEQUENT EVENTS

The Synod has evaluated subsequent events through April 7, 2020, the date that the Synod's annual financial statements were issued. The Synod has entered into a lease for office space in April 2020 for 125 months with monthly rent payments ranging from approximately \$3,650 to \$4,770 per month.

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, 2020**

	Balance February 1, 2019	Additions	Deductions	Balance January 31, 2020
NET ASSETS WITHOUT DONOR RESTRICTIONS - COUNCIL DESIGNATED:				
Living Christ	\$ 232,635	170,787	37,249	\$ 366,173
Bishop's Discretionary Fund	18,467	1,000	6,239	13,228
Technology Improvements	6,494	1,000	-	7,494
Leasehold Improvements	10,866	5,000	-	15,866
Automobile Replacement	29,316	21,831	-	51,147
Staff Continuing Education	2,532	-	401	2,131
Thrive! Campaign (Council)	26,366	20,929	46,526	769
Sale of Office Building	-	587,725	-	587,725
	<u>326,676</u>	<u>808,272</u>	<u>90,415</u>	<u>1,044,533</u>
NET ASSETS WITH DONOR RESTRICTIONS:				
Bishop's Discretionary Fund	3,074	684	3,545	213
Amazing Grace Day Camp	12,462	15,368	18,916	8,914
Lay School of Theology	4,644	2,650	4,508	2,786
Stewardship	714	-	714	-
Hunger Leaders Day	368	-	-	368
Wellness Grant	16,417	-	2,806	13,611
SOS Disaster Relief	11,416	1,425	-	12,841
Brazil Companion Synod	6,791	-	-	6,791
Global Mission Travel	19,367	-	3,538	15,829
Public Policy Task Force	4,500	-	4,500	-
Synod Youth / Young Adults Events	600	100	600	100
Stronger and Better Together	2,005	1,031	3,036	-
Stewardship Academy	1,116	-	1,116	-
Reformation Ministries	-	3,049	3,049	-
Seminary and Lay Education	184,701	-	2,128	182,573
Small Church Maintenance	14,972	-	7,000	7,972
Congregational Vitality Initiative	17,825	25,200	8,749	34,276
Stewardship for All Seasons	2,000	17,750	19,750	-
Thrive! Campaign	8,189	121,642	81,531	48,300
Thrive! Pledges Receivable	-	80,443	-	80,443
Aid to Pastors' Widows and Children	22,982	2,716	-	25,698
Ministerial Pensions	2,468	292	-	2,760
Synodical Home Missions	2,653	314	-	2,967
Hymnals and Altarware	7,030	-	-	7,030
Ministerial Education	50,182	5,930	19,183	36,929
Handicapped Children	26,600	3,143	-	29,743
Care of Elderly	30,039	3,549	3,236	30,352
Girls' Scholarships ELV Diocese	9,975	1,219	-	11,194
Undesignated Endowment	15,520	1,833	-	17,353
	<u>478,610</u>	<u>288,338</u>	<u>187,905</u>	<u>579,043</u>
Total Changes in Net Assets Without Donor Restrictions - Council-Designated and Net Assets With Donor Restrictions	<u>\$ 805,286</u>	<u>\$ 1,096,610</u>	<u>\$ 278,320</u>	<u>\$ 1,623,576</u>

**Southern Ohio Synod
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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>\$ 938,798</u>	<u>\$ 177,910</u>	<u>\$ 311,422</u>	<u>\$ 805,286</u>

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

	For the years ended January 31,	
	2020	2019
MISSION AND MINISTRY:		
Churchwide:		
ELCA	\$ 658,383	\$ 634,622
Total Churchwide Mission Support	658,383	634,622
Outreach Ministries and Support:		
Congregational Redevelopment	15,000	16,000
Total Outreach Ministries and Support	15,000	16,000
Affiliates and Partnership:		
Capital University	600	600
Wittenberg University	600	600
Trinity Lutheran Seminary	15,200	15,200
Region VI	8,700	8,700
Planned Giving	10,000	9,167
Lutheran Disaster Response Ohio	-	10,000
Total Affiliates and Partnership	35,100	44,267
Ecumenical:		
Ohio Council of Churches	1,000	1,000
Ecumenical Participation	230	-
Total Ecumenical	1,230	1,000
TOTAL MISSION AND MINISTRY	709,713	695,889
FAITH FORMATION:		
Youth and Family:		
Youth and Family Program	8,282	4,765
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	40,882	37,365
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	86,482	82,965

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

	For the years ended	
	January 31,	
	2020	2019
LEADERSHIP:		
Leadership Development and Support:		
Candidacy	\$ 15,790	\$ 13,082
First Call Retreat	900	340
Total Leadership Development and Support	16,690	13,422
Synod Leadership:		
Synod Council Expenses	1,436	1,391
Synod Assembly Expenses (net)	3,102	3,664
Committees and Task Forces	67	86
Meals and Hospitality (Leadership)	4,886	5,290
Bishop's Discretionary	1,000	3,000
Total Synod Leadership	10,491	13,431
Less: net assets designated by Synod Council	(1,000)	(3,000)
TOTAL LEADERSHIP	26,181	23,853
MISSION AND MINISTRY COORDINATION:		
Technology:		
Technology Applications	6,737	6,177
Technology Services	8,148	11,617
Technology Improvements	1,000	2,000
Total Technology	15,885	19,794
Office Operations:		
Bank Service Charges	5,250	5,088
Office Supplies	10,043	7,984
Postage	4,635	4,642
Telephone and Internet Access	13,182	13,991
Equipment Rental and Repair	17,682	16,441
Meals and Hospitality (Office)	2,915	3,037
Insurance	2,506	2,508
Office Depreciation	2,676	2,526
Legal Services	871	-
Accounting and Auditing Fees	48,907	46,765
Total Office Operations	108,667	102,982

See auditor's report.

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

	For the years ended January 31,	
	2020	2019
Building Expenses:		
Building Maintenance	\$ 40,538	\$ 21,637
Building Depreciation	22,171	27,539
Building Insurance	6,414	6,442
Janitorial Expenses	7,500	8,400
Utilities	7,089	7,886
Real Estate Taxes	3,368	3,058
Mortgage Interest Expenses	15,718	14,748
Total Building Expenses	102,798	89,710
Synod Staff:		
Bishop and Assistant Salaries	279,526	285,565
Supplemental and Support Salaries	188,536	191,906
Portico Benefits	171,621	187,007
Payroll Taxes and Expenses	15,912	16,029
Total Synod Staff	655,595	680,507
Staff Expenses:		
Automobile Expenses	12,912	16,275
Auto Loan Interest	445	633
Automobile Depreciation / Replacement	19,831	22,217
Continuing Education	5,000	5,000
Travel	25,825	23,058
Professional Expenses	855	817
Vacation Accrual	7,374	(6,028)
Total Staff Expenses	72,242	61,972
Less: net assets designated by Synod Council	(1,000)	(4,532)
TOTAL MISSION AND MINISTRY COORDINATION	954,187	950,433
TOTAL EXPENSES	\$ 1,776,563	\$ 1,753,140