

Audit Report

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

Financial Statements and
Independent Auditor's Report with
Supplementary Information

January 31, 2021 and 2020

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
Financial Statements with Supplementary Information
January 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Apple Growth Partners

Akron, Ohio
April 8, 2021

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

	January 31,	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents:		
Commercial deposits	\$ 1,198,785	\$ 1,239,905
Advances	-	6,296
Accrued interest	1,084	1,139
Pledges receivable - current	42,157	47,099
Prepaid expenses	13,992	12,414
Total current assets	1,256,018	1,306,853
Investments (invested with)		
ELCA Mission Investment Fund	211,899	208,046
Oceanview Annuity	150,765	-
ELCA Endowment Fund	201,867	180,138
Government and agencies	1,086	1,086
	565,617	389,270
Equipment, furniture and vehicles	111,744	186,032
Less accumulated depreciation	(69,443)	(134,936)
Net equipment, furniture and vehicles	42,301	51,096
Land & Buildings		
Land - Oklahoma property	80,000	80,000
Pleasant City Property	65,544	-
	145,544	80,000
Other assets		
Pledges receivable - noncurrent	9,529	33,344
Deposits	6,256	-
Total other assets	15,785	33,344
	\$ 2,025,265	\$ 1,860,563

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

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

	January 31,	
	2021	2020
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	\$ 2,530	\$ 5,908
Accounts payable	26,189	36,846
Funds held for others	6,355	6,584
Total current liabilities	35,074	49,338
Accrued rent	20,749	-
Long term debt, net of current maturities	-	2,445
	20,749	2,445
	55,823	51,783
NET ASSETS		
Without donor restrictions - General	273,635	185,204
Without donor restrictions - Council-Designated		
Living Christ	328,323	366,173
Living Christ-Pleasant City	87,049	-
Bishop's Discretionary Fund	14,228	13,228
Technology Improvements	3,488	7,494
Leasehold Improvements	17,866	15,866
Automobile Replacement	70,978	51,147
Staff Continuing Education	6,094	2,131
Thrive! Campaign (Council)	53,937	769
Sale of Office Building	476,413	587,725
Synod Assembly Carryover	4,760	-
Total without donor restrictions - Council-Designated	1,063,136	1,044,533
Total without donor restrictions	1,336,771	1,229,737

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

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

	January 31,	
	2021	2020
With donor restrictions		
Bishop's Discretionary Fund	\$ 1,363	\$ 213
Amazing Grace Day Camp	37,689	8,914
Lay School of Theology	2,971	2,786
Hunger Leaders Day	368	368
Wellness Grant	13,561	13,611
SOS Disaster Relief	6,841	12,841
Brazil Companion Synod	6,791	6,791
Global Mission Travel	15,829	15,829
Synod Youth / Young Adults Events	100	100
Reformation Ministries	-	-
Seminary and Lay Education	179,462	182,573
Small Church Maintenance	7,972	7,972
Congregational Vitality Initiative	33,391	34,276
Stewardship for All Seasons	-	-
Thrive! Campaign	74,023	48,300
Thrive! Pledges Receivable	51,686	80,443
Youth Gathering Assistance	13,200	-
Outside the Box Grant	8,084	-
Aid to Pastors' Widows and Children	28,811	25,698
Ministerial Pensions	3,094	2,760
Synodical Home Missions	3,327	2,967
Hymnals and Altarware	7,031	7,031
Ministerial Education	41,402	36,929
Handicapped Children	33,345	29,742
Care of Elderly	34,029	30,352
Girls' Scholarships ELV Diocese	11,856	11,194
Undesignated Endowment	16,445	17,353
Total with donor restrictions	632,671	579,043
Total net assets	1,969,442	1,808,780
	\$ 2,025,265	\$ 1,860,563

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

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

For the year ended January 31, 2021				
Without Donor Restrictions				
	General	Council- Designated	With Donor Restrictions	Total 2021
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,571,674	\$ -	\$ -	\$ 1,571,674
ELCA shared staff support	10,000	-	-	10,000
Oklahoma farmland	8,430	-	-	8,430
Gifts designated for Southern Ohio Synod	19,891	87,346	206,043	313,280
Miscellaneous income	19,133	-	-	19,133
Investment income	12,393	-	4,079	16,472
Loss on asset disposition	(3,206)	-	-	(3,206)
PPP grant	153,200	-	-	153,200
TOTAL SUPPORT AND REVENUE	1,791,515	87,346	210,122	2,088,983
NET ASSETS RELEASED FROM COUNCIL DESIGNATION OR RESTRICTION				
	256,018	(84,585)	(171,433)	-
	2,047,533	2,761	38,689	2,088,983
EXPENSES				
Program	1,376,813	-	-	1,376,813
Management and general	454,099	-	-	454,099
Thrive! campaign	112,348	-	-	112,348
TOTAL EXPENSES	1,943,260	-	-	1,943,260
Transfer of net assets	(15,842)	15,842	-	-
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS				
	88,431	18,603	38,689	145,723
Unrealized gain on investments	-	-	14,939	14,939
CHANGE IN NET ASSETS	\$ 88,431	\$ 18,603	\$ 53,628	\$ 160,662

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

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

For the year ended January 31, 2020				
Without Donor Restrictions				
	General	Council- Designated	With Donor Restrictions	Total 2020
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,645,957	\$ -	\$ -	\$ 1,645,957
ELCA shared staff support	10,000	-	-	10,000
Building 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 asset disposition	-	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.

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

For the year ended January 31, 2021

	Programs							Total Expenses
	Mission and Ministry	Faith Formation	Leadership	Thrive! Programs	Total Programs	Management and General	Thrive! Campaign	
Program grants	\$ 652,145	\$ 20,200	\$ -	\$ -	\$ 672,345	\$ -	\$ -	\$ 672,345
Synod programs and assistance	67,449	48,802	10,264	-	126,515	240	-	126,755
Compensation and benefits	52,679	99,138	229,929	10,000	391,746	285,972	75,065	752,783
Professional and administrative services	27,300	-	2,450	59,405	89,155	51,856	24,800	165,811
Office operations	16,131	6,786	17,379	-	40,296	33,014	4,647	77,957
Information technology	3,178	964	2,776	-	6,918	14,288	406	21,612
Occupancy	12,175	3,147	16,872	-	32,194	50,611	5,435	88,240
Travel	3,719	1,932	2,266	230	8,147	5,365	945	14,457
Depreciation	6,770	261	2,466	-	9,497	12,753	1,050	23,300
	<u>\$ 841,546</u>	<u>\$ 181,230</u>	<u>\$ 284,402</u>	<u>\$ 69,635</u>	<u>\$ 1,376,813</u>	<u>\$ 454,099</u>	<u>\$ 112,348</u>	<u>\$ 1,943,260</u>

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

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**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.

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**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, 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
Change in net assets	88,431	-	18,603	-	38,689	14,939	160,662
Balance at January 31, 2021	<u>\$ 273,635</u>	<u>\$ -</u>	<u>\$ 1,062,651</u>	<u>\$ 485</u>	<u>\$ 606,417</u>	<u>\$ 26,254</u>	<u>\$ 1,969,442</u>

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

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

	For the years ended	
	January 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 160,662	\$ 360,260
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain (loss) on disposal of fixed assets	3,206	(245,113)
Depreciation	23,300	44,678
Unrealized gain on investments	(14,939)	(12,851)
Changes in operating assets and liabilities:		
Advances and accrued interest	6,351	(6,025)
Pledges receivable	28,757	(80,443)
Prepaid expenses	(1,578)	(260)
Deposits	(6,256)	-
Accounts payable	(10,657)	10,903
Accrued rent	20,749	-
Funds held for others	(229)	(4,335)
Net cash provided by operating activities	209,366	66,814
Cash flows from investing activities:		
Purchase of investments	(161,408)	(10,190)
Proceeds from sale of fixed assets	-	929,037
Acquisition of Pleasant City property	(65,544)	-
Purchases of property and equipment	(17,711)	(2,699)
Net cash provided by (used in) investing activities:	(244,663)	916,148
Cash flows from financing activities:		
Repayments on long term debt	(5,823)	(321,873)
Net cash used in financing activities	(5,823)	(321,873)
Net (decrease) increase in cash and cash equivalents	(41,120)	661,089
Cash and cash equivalents at beginning of year	1,239,905	578,816
Cash and cash equivalents at end of year	\$ 1,198,785	\$ 1,239,905
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 305	\$ 16,163

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

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**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
Notes to the Financial Statements
January 31, 2021 and 2020

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 183 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. Participation of the Synod in ministry through the ELCA was calculated by Synod Council at 40.00% of the net unrestricted mission support contributions received for the years ended January 31, 2021

Tax Status - The Synod is exempt from income taxes under applicable provisions of Section 501(c)(3) of the Internal Revenue Code. The Synod did not pay any taxes on unrelated business income during the years ended January 31, 2021 and 2020.

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.

Living Christ-Pleasant City - Established with unrestricted proceeds and buildings from the dissolution of St. Paul's, Pleasant City. Upon sale of the buildings, all remaining proceeds will be moved to Living Christ Fund.

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.

**Southern Ohio Synod
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January 31, 2021 and 2020

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.

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.

Synod Assembly Carryover - Established to provide for future synod assembly expenses. Funding through unused Synod Assembly budget.

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.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
Notes to the Financial Statements
January 31, 2021 and 2020

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

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.

Youth Gathering Assistance - Established with a grant for 2022 National Youth Gathering.

Outside the Box Grant - Established with a grant from ELCA for support of digital ministries.

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."

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
Notes to the Financial Statements
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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.

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 \$23,300 and \$44,678 during the years ended January 31, 2021 and 2020, 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.

**Southern Ohio Synod
of the Evangelical Lutheran Church in America**
Notes to the Financial Statements
January 31, 2021 and 2020

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 balance sheets, statements of income and retained earnings, and cash flows, or do not apply to the Synod's operations.

In February 2016, the FASB issued guidance which created new accounting and reporting guidelines for leasing arrangements. The guidance requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows arising from a lease will depend on classification as a finance or operating lease. The guidance also requires qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In June 2020, in conjunction with the global pandemic, the FASB has extended the original effective date for those entities who have not yet adopted this standard. The Synod has yet to adopt and thus would be subject to the revised adoption date of annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2021 (the Synod's 2023 fiscal year). The Synod continues to evaluate the impact of the adoption of this guidance.

Reclassifications - Certain reclassifications have been made to the January 31, 2020 financial statements in order to conform to the January 31, 2021 presentation. Such reclassifications have no effect on previously reported changes in net assets.

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, 2021 and 2020:

Financial assets at January 31,	2021	2020
Cash	\$ 1,198,785	\$ 1,239,905
Pledges receivable	42,157	47,099
ELCA mission investment fund	211,899	208,046
Oceanview annuity	150,765	-
ELCA endowment fund	201,867	180,138
Government and agencies	1,086	1,086
Total financial assets	\$ 1,806,559	\$ 1,676,274
Less financial assets not available		
Funds held for others	6,355	6,584
Net assets with donor restrictions	632,671	579,043
Net assets designated by synod council	997,592	1,044,533
Total financial assets not available	1,636,618	1,630,160
Net financial assets available to meet general expenditures within one year	\$ 169,941	\$ 46,114

**Southern Ohio Synod
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Notes to the Financial Statements
January 31, 2021 and 2020

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. 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 \$163,303 and \$171,621 during the years ended January 31, 2021 and 2020, respectively.

F. INVESTMENT FUND

Investments consisted of the following assets measured at fair value on a recurring basis, by the ELCA, at January 31, 2021 and 2020:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
January 31, 2021				
Certificates of Deposit	\$ 211,899	\$ -	\$ -	\$ 211,899
Annuity	150,765	-	-	150,765
Mutual Funds	164,830	37,037	-	201,867
U.S. Government Obligations	1,086	-	-	1,086
	<u>\$ 528,580</u>	<u>\$ 37,037</u>	<u>\$ -</u>	<u>\$ 565,617</u>
	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>

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January 31, 2021 and 2020

The following is a summary of investment income and its classification in the Statement of Activities for the years ended January 31, 2021 and 2020:

	January 31, 2021			
	General	Council- Designated	With Donor Restrictions	Total
Dividends and interest	\$ 12,393	\$ -	\$ 4,079	\$ 16,472

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

G. 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 assets 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.

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January 31, 2021 and 2020

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.

The following table sets forth by level, within the fair value hierarchy, the Synod’s assets at fair value as of January 31, 2021 and 2020.

	January 31, 2021	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Quoted Market Prices in Active Markets for Identical Assets (Level 2)	Alternative Investments Measured at NAV
Equity Mutual Funds	\$ 201,867	\$ -	\$ -	\$ 201,867
Certificates of Deposit	211,899	-	211,899	-
Annuity	150,765	-	150,765	-
U.S. Government Obligations	1,086	1,086	-	-
	<u>\$ 565,617</u>	<u>\$ 1,086</u>	<u>\$ 362,664</u>	<u>\$ 201,867</u>

	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)	Alternative Investments Measured at NAV
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>\$ 1,086</u>	<u>\$ 208,046</u>	<u>\$ 180,138</u>

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Notes to the Financial Statements
January 31, 2021 and 2020

H. LONG TERM OBLIGATIONS

Long-term obligations consisted of the following as of:

	January 31,	
	2021	2020
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.	\$ 2,530	\$ 8,353
Less current maturities	2,530	5,908
Long-term obligations, net of current maturities	\$ -	\$ 2,445

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

January 31, 2022	\$ 2,530
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I. 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.

J. 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, 2021 and 2020 was \$8,430 and \$482, 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.

K. PAYCHECK PROTECTION PROGRAM GRANT

On May 8, 2020, the Synod received loan proceeds in the amount of \$153,200 under the Paycheck Protection Program ("PPP"), which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The PPP loan and related accrued interest can be forgiven, as long as the borrower uses the proceeds for eligible purposes. The synod filed its loan forgiveness application February 4, 2021 and received formal approval from the financial institution through which it applied and expects to receive formal approval from the Small Business Administration ("SBA"). The Synod recognized the loan proceeds when received as a conditional grant following guidance of Financial Accounting Standards Board ASC 958-605. During the current fiscal year, the Synod incurred eligible expenses and met certain personnel headcount requirements. Therefore, as of January 31, 2021, the Synod was able to recognize the proceeds received from the SBA as an unconditional grant and recorded the income on the Statement of Activities.

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Notes to the Financial Statements
January 31, 2021 and 2020

L. RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., as federal, state, and local governments reacted to the public health crisis, creating significant uncertainties in the U.S. economy. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic's affect from the date of this report moving forward on the Synod's results of operations and financial position cannot be reasonably estimated at this time.

M. OFFICE LEASE

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. Lease expense for 2020 totaled \$27,474. Future minimum lease payment as of January 31, 2021 are:

2022	\$	43,996
2023		45,316
2024		46,675
2025		48,076
2026		49,518
Thereafter		<u>261,868</u>
	\$	<u>495,449</u>

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, 2021**

	Balance February 1, 2020	Additions	Deductions	Balance January 31, 2021
Net Assets without donor restrictions:				
Council Designated:				
Living Christ	\$ 366,173	-	37,850	\$ 328,323
Living Christ-Pleasant City	-	87,113	64	87,049
Bishop's Discretionary Fund	13,228	1,000	-	14,228
Technology Improvements	7,494	2,000	6,006	3,488
Leasehold Improvements	15,866	2,000	-	17,866
Automobile Replacement	51,147	19,831	-	70,978
Staff Continuing Education	2,131	3,963	-	6,094
Thrive! Campaign (Council)	769	53,168	-	53,937
Sale of Office Building	587,725	-	111,312	476,413
Synod Assembly Carryover	-	4,760	-	4,760
	<u>1,044,533</u>	<u>173,835</u>	<u>155,232</u>	<u>1,063,136</u>
Net Assets with donor restrictions:				
Bishop's Discretionary Fund	213	2,500	1,350	1,363
Amazing Grace Day Camp	8,914	28,775	-	37,689
Lay School of Theology	2,786	700	515	2,971
Hunger Leaders Day	368	-	-	368
Wellness Grant	13,611	-	50	13,561
SOS Disaster Relief	12,841	-	6,000	6,841
Brazil Companion Synod	6,791	-	-	6,791
Global Mission Travel	15,829	-	-	15,829
Synod Youth / Young Adults Events	100	-	-	100
Reformation Ministries	-	2,150	2,150	-
Seminary and Lay Education	182,573	-	3,111	179,462
Small Church Maintenance	7,972	-	-	7,972
Congregational Vitality Initiative	34,276	-	885	33,391
Stewardship for All Seasons	-	26,250	26,250	-
Thrive! Campaign	48,300	150,725	125,002	74,023
Thrive! Pledges Receivable	80,443	-	28,757	51,686
Youth Gathering Assistance	-	13,200	-	13,200
Outside the Box Grant	-	10,000	1,916	8,084
Aid to Pastors' Widows and Children	25,698	3,113	-	28,811
Ministerial Pensions	2,760	334	-	3,094
Synodical Home Missions	2,967	360	-	3,327
Hymnals and Altarware	7,031	-	-	7,031
Ministerial Education	36,929	4,473	-	41,402
Handicapped Children	29,742	3,603	-	33,345
Care of Elderly	30,352	3,677	-	34,029
Girls' Scholarships ELV Diocese	11,194	1,856	1,194	11,856
Undesignated Endowment	17,353	2,102	3,010	16,445
	<u>579,043</u>	<u>253,818</u>	<u>200,190</u>	<u>632,671</u>
Total changes in net assets without donor restrictions - council designated and net assets with donor restrictions	<u>\$ 1,623,576</u>	<u>\$ 427,653</u>	<u>\$ 355,422</u>	<u>\$ 1,695,807</u>

See auditor's report.

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**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, 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
AGM Foundation Unrestricted Receipts	-	-	-	-
Resource Team	-	-	-	-
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
Faith Advance	-	-	-	-
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	-
Anti-Trafficking	-	-	-	-
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
Synod Home Missions	2,653	314	-	2,967
Hymnals and Altarware	7,031	-	-	7,031
Ministerial Education	50,182	5,930	19,183	36,929
Handicapped Children	26,599	3,143	-	29,742
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>

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

	For the years ended	
	January 31,	
	2021	2020
Mission and Ministry:		
Churchwide:		
ELCA	628,670	\$ 658,383
Total Churchwide Mission Support	628,670	658,383
Outreach Ministries and Support:		
Congregational Redevelopment	15,000	15,000
Total Outreach Ministries and Support	15,000	15,000
Affiliates and Partnership:		
Capital University	600	600
Wittenberg University	600	600
Trinity Lutheran Seminary	15,200	15,200
Region VI	5,075	8,700
Planned Giving	5,000	10,000
Lutheran Disaster Response Ohio	1,000	-
Total Affiliates and Partnership	27,475	35,100
Ecumenical:		
Ohio Council of Churches	1,000	1,000
Ecumenical Participation	26	230
Total Ecumenical	1,026	1,230
Total Mission and Ministry	672,171	709,713
Faith Information:		
Youth and Family:		
Youth and Family Program	852	8,282
Lutheran Outdoor Ministries of Ohio - Amazing Grace Program	-	12,400
Lutheran Outdoor Ministries of Ohio - Direct Grant	20,200	20,200
Total Youth and Family	21,052	40,882
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 Information	66,652	86,482

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

	For the years ended	
	January 31,	
	2021	2020
Leadership:		
Leadership Development and Support:		
Candidacy	\$ 9,059	\$ 15,790
First Call Retreat	100	900
Total Leadership Development and Support	9,159	16,690
Synod Leadership:		
Synod Council Expenses	-	1,436
Synod Assembly Expenses (net)	5,000	3,102
Committees and Task Forces	-	67
Meals and Hospitality (Leadership)	610	4,886
Bishop's Discretionary	1,000	1,000
Total Synod Leadership	6,610	10,491
Less: net assets designated by Synod Council	(5,760)	(1,000)
Total Leadership	10,009	26,181
Mission and Ministry Coordination:		
Technology:		
Technology Applications	10,684	6,737
Technology Services	9,012	8,148
Technology Improvements	2,000	1,000
Total Technology	21,696	15,885
Office Operations:		
Bank Service Charges	7,935	5,250
Office Supplies	12,141	10,043
Postage	3,600	4,635
Telephone and Internet Access	12,190	13,182
Equipment Rental and Repair	8,009	17,682
Meals and Hospitality (Office)	1,928	2,915
Insurance	3,010	2,506
Office Depreciation	3,469	2,676
Legal Services	715	871
Accounting and Auditing Fees	42,534	48,907
Total Office Operations	95,531	108,667

See auditor's report.

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

	For the years ended	
	January 31,	
	2021	2020
Building Expenses:		
Rent and lease operating expense	\$ 79,100	\$ -
Leasehold improvements	2,000	-
Building Maintenance		40,538
Building Depreciation	-	22,171
Building Insurance	-	6,414
Janitorial Expenses	-	7,500
Utilities	-	7,089
Real Estate Taxes	-	3,368
Mortgage Interest Expenses	-	15,718
Total Building Expenses	81,100	102,798
Synod Staff:		
Bishop and Assistant Salaries	302,664	279,527
Supplemental and Support Salaries	226,634	188,535
Portico Benefits	161,549	171,621
Payroll Taxes and Expenses	19,396	15,912
Total Synod Staff	710,243	655,595
Staff Expenses:		
Automobile Expenses	7,847	12,912
Auto Loan Interest	305	445
Automobile Depreciation / Replacement	19,831	19,831
Continuing Education	5,000	5,000
Travel	3,191	25,825
Professional Expenses	126	855
Vacation Accrual	1,503	7,374
Total Staff Expenses	37,803	72,242
Less: Net assets designated by Synod Council	(7,963)	(1,000)
Total Mission and Ministry coordination:	938,410	954,187
Total Expenses	\$ 1,687,242	\$ 1,776,563

See auditor's report.

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