

**Lower Susquehanna Synod of the  
Evangelical Lutheran Church in America**

**Financial Statements**

**January 31, 2021 and 2020**



# **Lower Susquehanna Synod of the Evangelical Lutheran Church in America**

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January 31, 2021 and 2020

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## **Independent Auditor's Report**

To the Synod Council  
Lower Susquehanna Synod of the Evangelical Lutheran Church in America  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Lower Susquehanna Synod of the Evangelical Lutheran Church in America, which comprise the statement of financial position as of January 31, 2021 and 2020, and the related statements of activities, functional expenses, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower Susquehanna Synod of the Evangelical Lutheran Church in America 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.

RKL LLP

May 26, 2021  
Wyomissing, Pennsylvania

# Lower Susquehanna Synod of the Evangelical Lutheran Church in America

## Statement of Financial Position

	January 31,	
	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 695,117	\$ 507,849
Prepaid expenses	23,032	7,930
<b>Total Current Assets</b>	<b>718,149</b>	<b>515,779</b>
<b>Investments</b>		
Investments, at fair value	3,073,163	2,381,801
Mission investment fund, at fair value	266,866	325,704
<b>Total Investments</b>	<b>3,340,029</b>	<b>2,707,505</b>
<b>Other Assets</b>		
Note receivable	42,100	44,500
Leasehold improvements	19,824	19,824
Equipment	116,794	116,794
Accumulated depreciation	(136,618)	(136,494)
<b>Total Other Assets</b>	<b>42,100</b>	<b>44,624</b>
<b>Total Assets</b>	<b>\$ 4,100,278</b>	<b>\$ 3,267,908</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 100,899	\$ 138,740
Deferred program support	29,450	655
Other current liabilities	112,526	109,363
<b>Total Current Liabilities</b>	<b>242,875</b>	<b>248,758</b>
<b>Net Assets</b>		
Without donor restrictions	495,396	361,572
With donor restrictions	3,362,007	2,657,578
<b>Total Net Assets</b>	<b>3,857,403</b>	<b>3,019,150</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,100,278</b>	<b>\$ 3,267,908</b>

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Statement of Activities

	Year Ended January 31, 2021			Year Ended January 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Benevolence						
Mission support	\$ 2,323,835	\$ -	\$ 2,323,835	\$ 2,472,478	\$ -	\$ 2,472,478
Churchwide special	-	323,446	323,446	-	406,964	406,964
Synod special	-	187,632	187,632	-	329,967	329,967
Other special	-	71,115	71,115	-	100,364	100,364
Always Being Made New	-	-	-	-	101,561	101,561
Grants and support	409,932	96,855	506,787	320,544	147,638	468,182
Program ministries, fees, and reimbursements	5,069	5,571	10,640	217,599	-	217,599
Net assets released from restrictions	741,134	(741,134)	-	1,176,643	(1,176,643)	-
<b>Total Support and Revenue</b>	<b>3,479,970</b>	<b>(56,515)</b>	<b>3,423,455</b>	<b>4,187,264</b>	<b>(90,149)</b>	<b>4,097,115</b>
<b>Operating Expenses</b>						
Program services	3,047,360	-	3,047,360	3,475,825	-	3,475,825
Supporting services						
Management and general	483,745	-	483,745	629,520	-	629,520
Fund-raising	62,508	-	62,508	70,330	-	70,330
<b>Total Operating Expenses</b>	<b>3,593,613</b>	<b>-</b>	<b>3,593,613</b>	<b>4,175,675</b>	<b>-</b>	<b>4,175,675</b>
<b>Changes in Net Assets from Operations</b>	<b>(113,643)</b>	<b>(56,515)</b>	<b>(170,158)</b>	<b>11,589</b>	<b>(90,149)</b>	<b>(78,560)</b>
<b>Nonoperating Activities</b>						
Interest and dividend income, net	6,627	6,661	13,288	7,373	16,622	23,995
Governmental grant income	234,127	-	234,127	-	-	-
Net realized and unrealized gains on investments	6,713	754,283	760,996	6,516	247,128	253,644
<b>Total Nonoperating Activities</b>	<b>247,467</b>	<b>760,944</b>	<b>1,008,411</b>	<b>13,889</b>	<b>263,750</b>	<b>277,639</b>
<b>Changes in Net Assets</b>	<b>133,824</b>	<b>704,429</b>	<b>838,253</b>	<b>25,478</b>	<b>173,601</b>	<b>199,079</b>
<b>Net Assets at Beginning of Year</b>	<b>361,572</b>	<b>2,657,578</b>	<b>3,019,150</b>	<b>336,094</b>	<b>2,483,977</b>	<b>2,820,071</b>
<b>Net Assets at End of Year</b>	<b>\$ 495,396</b>	<b>\$ 3,362,007</b>	<b>\$ 3,857,403</b>	<b>\$ 361,572</b>	<b>\$ 2,657,578</b>	<b>\$ 3,019,150</b>

See accompanying notes.

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Statement of Functional Expenses

	Year Ended January 31, 2021			
	Supporting Services			
	Program Services	Management and Administrative	Fund- Raising	Total
<b>Expenses</b>				
ELCA churchwide mission support	\$ 711,349	\$ -	\$ -	\$ 711,349
<b>Ministry Partners</b>				
Region 8	4,000	-	-	4,000
United Lutheran Seminary	172,500	-	-	172,500
Social Ministry Organizations	1,000	-	-	1,000
PA Council of Churches	4,650	-	-	4,650
Outdoor Ministry	71,000	-	-	71,000
Total Ministry Partners	253,150	-	-	253,150
<b>Synodical Ministries</b>				
Care of rosters persons	173	-	-	173
Leadership support	2,275	-	-	2,275
Communication	2,199	-	-	2,199
Alpha Beta Christo	1,057	-	-	1,057
Resource center	12,558	-	-	12,558
Evangelism and outreach	364,802	-	-	364,802
Synodical worship	1,111	-	-	1,111
Candidacy committee	5,612	-	-	5,612
Faith formation with youth	1,177	-	-	1,177
Campus Ministry	59,500	-	-	59,500
Development	2,256	-	-	2,256
Advocacy ministry	9,000	-	-	9,000
Total Synodical Ministries	461,720	-	-	461,720
<b>Governance</b>				
Assembly planning	-	1,827	-	1,827
Total Governance	-	1,827	-	1,827

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Statement of Functional Expenses (continued)

	Year Ended January 31, 2021			Total
	Supporting Services			
	Program Services	Management and Administrative	Fund- Raising	
<b>Expenses (continued)</b>				
Administration				
Office operating costs	\$ -	\$ 21,272	\$ -	\$ 21,272
Occupancy	-	59,884	2,822	62,706
Office operations	-	85,150	4,012	89,162
Human resources	552,592	313,135	55,259	920,986
Travel Synod staff	4,153	2,353	415	6,921
	<b>556,745</b>	<b>481,794</b>	<b>62,508</b>	<b>1,101,047</b>
Total Administration				
Specific Synod ministries	<b>323,262</b>	-	-	<b>323,262</b>
Special benevolence	<b>741,134</b>	-	-	<b>741,134</b>
Depreciation	-	124	-	124
<b>Total Expenses</b>	<b>\$ 3,047,360</b>	<b>\$ 483,745</b>	<b>\$ 62,508</b>	<b>\$ 3,593,613</b>



## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Statement of Functional Expenses (continued)

	Year Ended January 31, 2020			Total
	Supporting Services			
	Program Services	Management and Administrative	Fund- Raising	
<b>Expenses</b>				
ELCA churchwide mission support	\$ 754,106	\$ -	\$ -	\$ 754,106
<b>Ministry Partners</b>				
Region 8	11,806	-	-	11,806
United Lutheran Seminary	172,500	-	-	172,500
Social Ministry Organizations	1,000	-	-	1,000
PA Council of Churches	4,650	-	-	4,650
Campus ministry	71,000	-	-	71,000
<b>Total Ministry Partners</b>	<b>260,956</b>	<b>-</b>	<b>-</b>	<b>260,956</b>
<b>Synodical Ministries</b>				
Care of rosters persons	1,084	-	-	1,084
Psychological services	280	-	-	280
Leadership support	2,413	-	-	2,413
Communication	6,552	-	-	6,552
Alpha Beta Xhristo	884	-	-	884
Conference of Deans	282	-	-	282
Resource center	20,452	-	-	20,452
Evangelism and outreach	273,894	-	-	273,894
Ecumenical programs	25	-	-	25
Synodical worship	2,978	-	-	2,978
Candidacy committee	7,797	-	-	7,797
Faith formation with youth	57,337	-	-	57,337
Campus Ministry	65,500	-	-	65,500
Coordination of relief projects	287	-	-	287
Advocacy ministry	9,000	-	-	9,000
<b>Total Synodical Ministries</b>	<b>448,765</b>	<b>-</b>	<b>-</b>	<b>448,765</b>
<b>Governance</b>				
Assembly planning	-	95,360	-	95,360
Synod council and standing committee	-	285	-	285
<b>Total Governance</b>	<b>-</b>	<b>95,645</b>	<b>-</b>	<b>95,645</b>

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

Statement of Functional Expenses (continued)

	Year Ended January 31, 2020			
	Supporting Services			Total
	Program Services	Management and Administrative	Fund- Raising	
<b>Expenses (continued)</b>				
Administration				
Office operating costs	\$ -	\$ 15,622	\$ -	\$ 15,622
Occupancy	-	60,804	2,866	63,670
Office operations	-	86,904	3,152	90,056
Human resources	620,404	351,563	62,041	1,034,008
Travel Synod staff	22,711	12,869	2,271	37,851
	643,115	527,762	70,330	1,241,207
Always Being Made New Campaign	239,787	4,696	-	244,483
Specific Synod ministries	192,240	-	-	192,240
Special benevolence	936,856	-	-	936,856
Depreciation	-	1,417	-	1,417
<b>Total Expenses</b>	<b>\$ 3,475,825</b>	<b>\$ 629,520</b>	<b>\$ 70,330</b>	<b>\$ 4,175,675</b>

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Statement of Cash Flows

	Years Ended January 31,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 838,253	\$ 199,079
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	124	1,417
Net realized and unrealized losses on investments and other assets	(760,996)	(253,644)
(Increase) decrease in assets		
Prepaid expenses	(15,102)	9,344
Increase (decrease) in liabilities		
Accounts payable	(37,841)	41,030
Deferred program support	28,795	(2,945)
Other current liabilities	3,163	(7,246)
	<b>56,396</b>	<b>(12,965)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	1,296,905	861,489
Purchases of investments	(982,064)	(818,217)
Proceeds from note receivable	2,400	2,200
	<b>317,241</b>	<b>45,472</b>
<b>Net Increase in Cash and Cash Equivalents, and Restricted Cash</b>		
	<b>373,637</b>	<b>32,507</b>
<b>Cash and Cash Equivalents, and Restricted Cash at Beginning of Year</b>		
	<b>601,717</b>	<b>569,210</b>
<b>Cash and Cash Equivalents, and Restricted Cash at End of Year</b>		
	<b>\$ 975,354</b>	<b>\$ 601,717</b>
<b>Reconciliation of Cash and Cash Equivalents, and Restricted Cash Reported within the Statement of Financial Position to Cash and Cash Equivalents, and Restricted Cash in the Statement of Cash Flows</b>		
Cash and cash equivalents	\$ 695,117	\$ 507,849
Restricted cash under investments, at fair value	280,237	93,868
	<b>\$ 975,354</b>	<b>\$ 601,717</b>
<b>Total Cash and Cash Equivalents, and Restricted Cash Shown in the Statement of Cash Flows</b>		
	<b>\$ 975,354</b>	<b>\$ 601,717</b>

## **Lower Susquehanna Synod of the Evangelical Lutheran Church in America**

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### Notes to Financial Statements

January 31, 2021 and 2020

#### **Note 1 - Nature of Activities**

The Lower Susquehanna Synod of the Evangelical Lutheran Church in America (the Synod) is a nonprofit organization established to bear primary responsibility for pastoral care of the congregation, to provide for lay leadership, foster organizations for youth, women, and men, develop the policy and implement programs of the Synod, promote relationships with other congregations and ministries, and elect members of the churchwide assembly.

The Synod of the Evangelical Lutheran Church in America (ELCA) was organized on April 17, 1986 as a Pennsylvania nonprofit corporation, a geographical faith community of the ELCA. The Synod is one of 65 Synods of the ELCA and one of seven ELCA Synods in Pennsylvania. The Synod is located in the south central part of Pennsylvania and covers a nine county area that reached from Fulton County to the urban areas of Harrisburg, York, and Lancaster, and is subject to the overall economic conditions of the region. The Synod's 230 congregations represent over 85,000 baptized members of the ELCA.

The Synod Council serves as an interim legislative authority between meetings of the Synod Assembly. The Synod maintains relations with several ELCA affiliated institutions and agencies. The relationships include the election of members to the churchwide assembly of the ELCA and appointment or election of institution and agency board members.

#### **Note 2 - Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

##### **Basis of Accounting**

The accrual basis of accounting is utilized.

##### **Basis of Presentation**

The Synod's financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, the Synod 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. Net assets are classified as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for particular purposes by action of the Synod Council, or may otherwise be limited by contractual agreements with outside parties.

**Net Assets With Donor 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 resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

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

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Synod considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid investments purchased with a maturity of three months or less, to be cash and cash equivalents on the statement of financial position. This includes checking, savings, and money market accounts, except for highly-liquid cash and investment accounts held in brokerage accounts which are classified as investments.

**Investments**

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor stipulation.

**Leasehold Improvements and Equipment**

Leasehold improvements and equipment are recorded at cost when purchased. Maintenance and repair costs are charged to expenses as incurred. Gains and losses on disposition of leasehold improvements and equipment are reflected in income. Currently the Synod capitalizes assets purchased with a cost or fair value greater than \$2,500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets as follows:

Leasehold improvements	3 years
Furniture and equipment	3 to 5 years

**Long-Lived Assets**

Long-lived assets consist of leasehold improvements and equipment, and are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. The Synod had concluded that no impairment adjustments were required as of January 31, 2021 and 2020.

## **Lower Susquehanna Synod of the Evangelical Lutheran Church in America**

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Notes to Financial Statements

January 31, 2021 and 2020

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition**

##### **Grants and Contributions**

Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Synod reports the support as without donor restrictions.

When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

##### **Educational Programs and Courses**

The Synod recognizes revenue from registration fees for religious and mission programs during the year in which the related services are provided to congregations. The performance obligation of delivering services is simultaneously received and consumed by the participants; therefore, the revenue is recognized ratably over the course of the programs and courses. Registration and payment is required prior to beginning the program or course. All amounts received are deferred to the applicable period.

#### **Income Taxes**

The Internal Revenue Service has issued a Group Exemption Letter to the ELCA, which includes the Synod as part of the group. Inclusion in the group exemption established that the Synod is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 and is not a private foundation as defined in Code Section 509(a). Accordingly, no provision for income taxes has been made in the financial statements.

#### **Changes in Net Assets from Operations**

The statement of activities and changes in net assets includes changes in net assets from operations. Nonoperating activities, which are excluded from changes in net assets from operations, consistent with industry practice, include investment income, net, realized and unrealized gains and losses on investments.

#### **Functional Allocation of Expenses**

Natural expenses are accounted for and reported on a direct cost basis to the program or function that the expense is incurred. Facilities and occupancy expense represent the cost of maintaining a building or paying rent for facility use and any other related costs. Expenses attributable to more than one program or supporting function are allocated using reasonable cost allocation techniques. Support costs, including human resources, are allocated based on a program expense related basis.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Donated Services**

A substantial number of volunteers have donated significant hours to the Synod's programs and activities; however, these donated services are not reflected in the financial statements, since the services do not require specialized skills.

**Separate Entities**

The accompanying financial statements include the assets, liabilities, net assets, and financial activities of only the Synod as one expression of this church in relationship with congregations, related institutions and agencies, and the churchwide agencies of the ELCA. These are separate and distinct legal entities with their own accounting systems for providing budgetary and financial information.

**Related Party Transactions**

A significant portion of the Synod's revenue, support, and expenses are received from and disbursed to the separate entities as discussed above.

**Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard will be effective for fiscal years beginning after December 15, 2021. The ASU is expected to impact the Synod's financial statements, as the Synod has certain operating leases for which it is the lessee.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of ASU 2018-13 is not expected to have a material impact on the Synod's financial statements.

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 3 - Liquidity and Availability

The Synod manages its liquidity by managing its working capital.

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:

	<u>2021</u>	<u>2020</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 695,117	\$ 507,849
Investments, at fair value	3,073,163	2,381,801
Mission investment fund, at fair value	266,866	325,704
Note receivable	42,100	44,500
	<u>4,077,246</u>	<u>3,259,854</u>
Amounts that are internally designated or externally restricted		
Donor restricted for specific purpose	(303,454)	(288,909)
Investments held in perpetual endowment	(3,058,553)	(2,368,669)
Board-designated for specific purposes	(255,261)	(306,040)
	<u>(3,617,268)</u>	<u>(3,063,618)</u>
<b>Financial Assets Available to Meet Other Expenditures Within One Year</b>	<u>\$ 459,978</u>	<u>\$ 296,236</u>

The Synod's endowment consists of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures. The Board of Directors approves annual disbursements from the fund on a specific need basis.

#### Note 4 - Investments

The Synod had the following debt investments and related maturities as of January 31:

2021	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Rating</u>
<b>Bond Mutual Funds</b>				
iShare Agency Bond ETF	\$ 92,063	\$ 98,571	5 years	AAA
iShares 3-7 Treasury Bond ETF	124,295	130,886	5 years	AAA
iShares Short-Term Corporate Bond ETF	123,314	128,154	3 years	N/A
JP Morgan Ultra-Short Income ETF	160,239	162,916	1 year	A



## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 4 - Investments (continued)

2020	Cost	Fair Value	Maturity	Credit Rating
<b>Bond Mutual Funds</b>				
iShare Agency Bond ETF	\$ 92,063	\$ 96,913	5 years	AAA
iShares 3-7 Treasury Bond ETF	103,431	105,906	5 years	AAA
iShares Short-Term Corporate Bond ETF	85,317	89,119	3 years	N/A
JP Morgan US Aggregate Bond ETF	262,793	266,664	8 years	AA
JP Morgan Ultra-Short Income ETF	123,433	124,230	1 year	A
iShares iBoxx Investment Grade Corporate Bond ETF	86,210	110,116	13 years	A

Investment income is as follows for the years ended January 31:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net	\$ 6,627	\$ 6,661	\$ 13,288
Net unrealized gains	6,713	542,978	549,691
Net realized gains	-	211,305	211,305
	<u>\$ 13,340</u>	<u>\$ 760,944</u>	<u>\$ 774,284</u>
2020			
Interest and dividends, net	\$ 7,373	\$ 16,622	\$ 23,995
Net unrealized gains	6,516	175,762	182,278
Net realized gains	-	71,366	71,366
	<u>\$ 13,889</u>	<u>\$ 263,750</u>	<u>\$ 277,639</u>

#### Note 5 - Mission Investment Fund Investments

Funds invested in the Mission Investment Fund of the ELCA are unsecured. These investments, which are available to entities associated with the ELCA, are uninsured.

These securities, which mature in one year, earn interest in a range from 0.55% and 0.99%.

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 6 - Fair Value of Investments

The Synod defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and the Synod sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy. 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.

Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Synod performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of January 31:

	Fair Value Measurements at January 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Money Market</b>	\$ 280,237	\$ -	\$ -	\$ 280,237
<b>Fixed Income Mutual Funds</b>	-	520,527	-	520,527
<b>Equity Securities</b>				
Technology	524,629	-	-	524,629
Consumer discretionary	474,484	-	-	474,484
Industrials	406,496	-	-	406,496
Health care	267,201	-	-	267,201
Consumer staples	248,937	-	-	248,937
Financial services	147,780	-	-	147,780
Real estate	93,687	-	-	93,687
Basic materials	62,931	-	-	62,931
Telecommunications	46,254	-	-	46,254
<b>Mission Investment Fund of the ELCA</b>	-	-	266,866	266,866
	<u>\$ 2,552,636</u>	<u>\$ 520,527</u>	<u>\$ 266,866</u>	<u>\$ 3,340,029</u>

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 6 - Fair Value of Investments (continued)

	Fair Value Measurements at January 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Money Market</b>	\$ 93,868	\$ -	\$ -	\$ 93,868
<b>Fixed Income Mutual Funds</b>	-	792,948	-	792,948
<b>Equity Securities</b>				
Technology	495,604	-	-	495,604
Consumer discretionary	352,995	-	-	352,995
Health care	191,355	-	-	191,355
Consumer staples	118,169	-	-	118,169
Financial services	269,901	-	-	269,901
Producer durables	66,961	-	-	66,961
<b>Mission Investment Fund of the ELCA</b>	-	-	325,704	325,704
	<u>\$ 1,588,853</u>	<u>\$ 792,948</u>	<u>\$ 325,704</u>	<u>\$ 2,707,505</u>

The following information should not be interpreted as an estimate of the fair value of the Synod since a fair value calculation is only provided for a limited portion of the Synods' assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Synod's disclosures and those of other synods may not be meaningful. The following methods and assumptions were used to estimate the fair value of the Synods' financial instruments:

Mutual funds and money market funds are valued at the net asset value of the shares held by the Synod at year-end.

The fair value of Level 3 investment, Mission Investment Fund of the ELCA, held by a third party is measured using the fair value of the assets contributed to the fund.

#### Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and the size of the transfer relative to total net assets available for benefits. There were no significant transfers in or out of Level 3 for the years ended January 31, 2021 and 2020.

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 6 - Fair Value of Investments (continued)

For assets falling within Level 3 in the fair value hierarchy, the activity recognized is as follows during the years ended January 31:

	<u>2021</u>	<u>2020</u>
<b>Balance at Beginning of Year</b>	<b>\$ 325,704</b>	<b>\$ 293,354</b>
Contributions	65,972	66,289
Distributions	(132,489)	(38,261)
Investment income, interest	7,679	4,322
<b>Balance at End of Year</b>	<b><u>\$ 266,866</u></b>	<b><u>\$ 325,704</u></b>

#### Investment Risk

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect account balances and the amounts reported in the statement of activities for the Synod.

#### Note 7 - Always Being Made New Campaign

The 2014 Synod Assembly adopted a resolution to initiate the 25th Anniversary Campaign for the ELCA in the Lower Susquehanna Synod. The campaign, titled "Always Being Made New", is a five-year effort to raise \$6,050,000 to support a variety of Synod and ELCA ministries, and pay for direct campaign costs estimated at \$550,000 for the five-year term of the campaign. All campaign support, including multi-year donor commitments which are not binding obligations, will be recognized and reported as the financial support is received.

In February 2016, the Synod Council adopted a resolution for the funding of the campaign. The resolution limits costs to \$350,000. The February 2016 resolution lacked adequate provision to fund campaign expenses. Accordingly, in November 2016, the Synod Council adopted a second resolution. Under the resolution, the Synod's Restitution Fund and realized "Where Needed Most" campaign contributions through January 31, 2017, will be used to fund the cumulative campaign expenses. The remaining balance will come from the Unrestricted - Undesignated Fund. This campaign concluded in June 2020.

#### Note 8 - Note Receivable

On December 15, 2009, the Synod entered into a noninterest bearing mortgage note with Holy Spirit Lutheran Church in the amount of \$65,000. The note is secured by property. The principal amount is due on demand. The balance of the mortgage note at January 31, 2021 and 2020 was \$42,100 and \$44,500, respectively.

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 9 - Operating Lease, Real Estate

The Synod leases 5,072 square feet of office space in the United Church Center under a lease agreement with the Pennsylvania Council of Churches. The lease is dated January 21, 2002. The term of the lease is not specified; however, it can be canceled by either party with one year's notification. Total payments for both the fiscal years ended January 31, 2021 and 2020 amounted to \$62,706 and \$63,670, respectively.

#### Note 10 - Retirement Plan

The Synod participates in a defined contribution retirement plan with Portico Benefit Services. The plan, which covers substantially all employees, is fully vested and funded. In addition, employees may elect to defer additional amounts subject to limitations. The total retirement cost paid to Portico Benefit Services totaled \$78,085 and \$84,265 for the fiscal years ended January 31, 2021 and 2020, respectively.

#### Note 11 - Net Assets Without Donor Restrictions

The Synod's net assets without donor restrictions are comprised of undesignated and Board-designated amounts for the following purposes at January 31:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 239,635	\$ 55,532
Board-designated for specified purposes		
Lower Susquehanna Synod Fund	175,889	251,084
Bishop's Discretionary Fund	38,230	25,349
Collaborative Mission Center	12,640	-
Fixed Asset Funds	11,333	11,519
Care of Rostered Leaders Fund	7,393	7,393
Communities of Hope	7,012	9,027
Harrisburg Area Youth Initiative	1,992	1,668
Healing Justice	1,272	-
	<u>\$ 495,396</u>	<u>\$ 361,572</u>

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose as of January 31:

	<u>2021</u>	<u>2020</u>
Synod Programs	\$ 189,358	\$ 172,065
Konde Fund	81,642	65,672
Student Aid Fund	19,837	15,816
Funds Held for Others	8,389	8,389
Scholarship Fund	3,964	3,964
Thrivent Grants	264	90
Always Being Made New Campaign	-	22,718
Leadership Programs Musicians	-	195
Support of Konde Diocese	996,366	782,231
Eliminate Hunger	996,116	782,026
Seminarian Scholarship Support	449,564	356,173
Synodical Program Support	387,651	303,916
Bishop's Discretionary Fund Support	183,707	144,323
Christian Education	45,149	-
	<u>\$ 3,362,007</u>	<u>\$ 2,657,578</u>

Net assets with donor restrictions of \$741,134 and \$1,176,643 for the years ended January 31, 2021 and 2020, respectively, were released from purpose restrictions for programs services.

Net assets with donor restrictions of \$3,058,553 and \$2,368,669 at January 31, 2021 and 2020, respectively, represent true endowment funds held in perpetuity, the income from which is expendable to support Synod programs as specified by the donors of the respective funds.

#### Note 13 - Net Assets in Endowment Fund

The Synod's endowments consist of several funds established for a variety of purposes. Its endowments include various donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Interpretation of Relevant Law

The Synod interprets relevant Pennsylvania law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of the interpretation, the Synod classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, at the time the accumulation is added to the fund.

## Lower Susquehanna Synod of the Evangelical Lutheran Church in America

### Notes to Financial Statements

January 31, 2021 and 2020

#### Note 13 - Net Assets in Endowment Fund (continued)

##### Interpretation of Relevant Law (continued)

The Synod has a policy of distributing up to 10% of the monthly fair market value average over the most recent three calendar years. The presumption is that over the course of multiple years, the average investment returns will equal or exceed 5% per annum, and that the endowment will meet the objective of providing ongoing financial support to the Synod for these initiatives. Distributions made during fiscal years ended January 31, 2021 and 2020 totaled \$111,882 and \$108,599, respectively.

Net assets maintained for these program initiatives are as follows as of January 31:

	<u>2021</u>	<u>2020</u>
Support of Konde Diocese	\$ 996,366	\$ 782,231
Eliminate Hunger	996,116	782,026
Seminarian Scholarship Support	449,564	356,173
Synodical Program Support	387,651	303,916
Bishop's Discretionary Fund Support	183,707	144,323
Christian Education	45,149	-
	<u>\$ 3,058,553</u>	<u>\$ 2,368,669</u>

Changes in endowment net assets for the fiscal years ended January 31:

	<u>2021</u>	<u>2020</u>
<b>Endowment Net Assets at Beginning of Year</b>	<b>\$ 2,368,669</b>	<b>\$ 2,207,001</b>
Investment return		
Interest and dividend income	22,059	30,541
Net realized and unrealized gains on investments	760,997	253,644
Total investment gains	783,056	284,185
Legacy fund distribution	(111,882)	(108,598)
Other changes		
Grants and support	34,109	-
Investment expenses	(15,399)	(13,919)
Total other changes	18,710	(13,919)
<b>Endowment Net Assets at End of Year</b>	<b>\$ 3,058,553</b>	<b>\$ 2,368,669</b>

## **Lower Susquehanna Synod of the Evangelical Lutheran Church in America**

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Notes to Financial Statements

January 31, 2021 and 2020

### **Note 13 - Net Assets in Endowment Fund (continued)**

#### **Underwater Endowment Funds**

The fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or the relevant state law requires the Synod to retain as a fund of perpetual duration. In accordance with the Synod's investment policy, endowment funds with donor restrictions are reported at the original value of initial and subsequent gifts (see Interpretation of Relevant Law). As a result, there were no deficiencies reported as of January 31, 2021 and 2020.

### **Note 14 - Paycheck Protection Program**

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the Small Business Association. Organizations who met the eligibility requirements set forth by the PPP program could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization.

On April 29, 2020, the Synod received a loan of \$234,127 under the PPP program provided by Members 1st Federal Credit Union. The loan bears interest at 1.0%, with principal and interest payments deferred for the 10 months following the 24 week spending period. After that, if the loan is not forgiven under the terms of the PPP, the loan and interest would be paid back on a monthly basis with a final payment due on April 29, 2022.

When the Synod applied for the loan, they believed it would qualify to have the loan forgiven under the terms of the program and; therefore, considered the loan to be substantively a conditional government grant. The Synod submitted the program loan forgiveness application on September 24, 2020. On November 12, 2020, the Synod was granted forgiveness on the full amount of the program loan. The Synod has recognized the program income for the full amount of the program loan, \$234,127, in nonoperating activities on the statement of activities, and no liability for the program loan is reflected in the statement of financial position as of January 31, 2021.

### **Note 15 - Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area in which the Synod operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Synod.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.



## **Lower Susquehanna Synod of the Evangelical Lutheran Church in America**

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Notes to Financial Statements

January 31, 2021 and 2020

### **Note 16 - Contingencies**

#### **Concentrations of Credit Risk**

##### **Cash and Cash Equivalents**

The Synod maintains its monies in a financial institution in South Central Pennsylvania. Cash accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Securities held by third-party institutions are covered by the Securities Investor Protection Corporation, except for funds held by the Mission Investment Fund of the ELCA, which is not insured by the federal or state regulatory agency.

### **Note 17 - Reclassifications**

Certain information in the 2020 financial statements and related notes contain reclassifications necessary to make that information comparable to information presented in the 2021 financial statements.

### **Note 18 - Subsequent Events**

The Synod has evaluated subsequent events through May 26, 2021. This date is the date the financial statements were available to be issued. No material events subsequent to January 31, 2021 were noted.