

**CENTRAL STATES SYNOD
OF THE EVANGELICAL
LUTHERAN CHURCH IN
AMERICA**

FINANCIAL STATEMENTS

January 31, 2021

IFFT & CO. PA
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Council
Central States Synod of The Evangelical Lutheran Church in America
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Central States Synod of The Evangelical Lutheran Church in America (a not-for-profit organization), which comprise the statement of financial position as of January 31, 2021, the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Central States Synod of The Evangelical Lutheran Church in America as of January 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Central States Synod of The Evangelical Lutheran Church in America's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of agency and institution grants; Synod program committee expenditures; and receipts and expenditures for funds with donor restrictions, funds held for others, and board-designated funds are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ifft & Co. PA

July 28, 2023

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION
January 31, 2021**

(With Summarized Financial Information as of January 31, 2020)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
ASSETS				
Cash and cash equivalents	\$ 693,203	1,044,774	1,737,977	1,478,899
Receivables - congregations	60,063	-	60,063	58,581
Receivables - other	-	8,518	8,518	10,621
Pledges receivable - fund appeal, net	-	48,454	48,454	48,454
ELCA Foundation Endowment Fund investments	112,954	705,514	818,468	759,091
Mission Investment Fund certificates of deposit	-	117,112	117,112	116,529
Other investments	-	-	-	41,353
Prepaid expenses	3,852	-	3,852	3,533
Property and equipment, less accumulated depreciation	<u>904,961</u>	<u>-</u>	<u>904,961</u>	<u>932,468</u>
TOTAL ASSETS	<u>\$ 1,775,033</u>	<u>1,924,372</u>	<u>3,699,405</u>	<u>3,449,529</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 19,372	-	19,372	30,263
Due to ELCA	63,630	-	63,630	56,373
Paycheck Protection Program note payable	167,200	-	167,200	-
Funds held for others	<u>-</u>	<u>49,032</u>	<u>49,032</u>	<u>22,245</u>
TOTAL LIABILITIES	250,202	49,032	299,234	108,881
NET ASSETS				
Without donor restrictions				
Undesignated	976,237	-	976,237	996,431
Board-designated	<u>548,594</u>	<u>-</u>	<u>548,594</u>	<u>444,083</u>
Total without donor restrictions	1,524,831	-	1,524,831	1,440,514
With donor restrictions				
Perpetual in nature	-	974,891	974,891	974,891
Purpose restrictions	<u>-</u>	<u>900,449</u>	<u>900,449</u>	<u>925,243</u>
Total with donor restrictions	<u>-</u>	<u>1,875,340</u>	<u>1,875,340</u>	<u>1,900,134</u>
TOTAL NET ASSETS	<u>1,524,831</u>	<u>1,875,340</u>	<u>3,400,171</u>	<u>3,340,648</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,775,033</u>	<u>1,924,372</u>	<u>3,699,405</u>	<u>3,449,529</u>

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

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
For the Year Ended January 31, 2021**

(With Summarized Financial Information for the Year Ended January 31, 2020)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUES				
Congregational and other contributions	\$ 1,564,489	327,141	1,891,630	2,354,997
Annual appeal	24,814	-	24,814	15,861
Non-congregational contributions	50,114	-	50,114	50,053
Realized loss on investments	(5,711)	-	(5,711)	-
Unrealized gain on investments	4,890	26,900	31,790	30,884
Net investment income	<u>16,729</u>	<u>54,165</u>	<u>70,894</u>	<u>65,224</u>
	1,655,325	408,206	2,063,531	2,517,019
Net assets released from restrictions	<u>433,000</u>	<u>(433,000)</u>	<u>-</u>	<u>-</u>
	2,088,325	(24,794)	2,063,531	2,517,019
EXPENSES				
Program services				
Leadership Growth	445,153	-	445,153	520,815
Congregational Mission	199,157	-	199,157	249,810
Pastoral Care	179,175	-	179,175	232,753
Strengthening Relationships/ Interpreting Work of Church	<u>1,055,160</u>	<u>-</u>	<u>1,055,160</u>	<u>1,108,537</u>
	1,878,645	-	1,878,645	2,111,915
Supporting services				
Management and general	<u>125,363</u>	<u>-</u>	<u>125,363</u>	<u>130,237</u>
	<u>2,004,008</u>	<u>-</u>	<u>2,004,008</u>	<u>2,242,152</u>
CHANGE IN NET ASSETS	84,317	(24,794)	59,523	274,867
NET ASSETS, BEGINNING OF YEAR	<u>1,440,514</u>	<u>1,900,134</u>	<u>3,340,648</u>	<u>3,065,781</u>
NET ASSETS, END OF YEAR	<u>\$ 1,524,831</u>	<u>1,875,340</u>	<u>3,400,171</u>	<u>3,340,648</u>

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

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended January 31, 2021**

(With Summarized Financial Information for the Year Ended January 31, 2020)

	Leadership Growth	Congregational Mission	Pastoral Care	Strengthening Relationships/ Interpreting Work of Church	Total Program Services	Management and General	Totals	
							2021	2020
Salaries and fringe benefits	\$ 241,740	77,025	77,025	73,173	468,963	80,806	549,769	599,808
Contributions to ELCA	-	-	-	808,028	808,028	-	808,028	791,680
Grants to other organizations	55,000	-	-	5,000	60,000	-	60,000	52,000
Other program services	130,346	86,600	89,075	130,900	436,921	-	436,921	617,288
Candidacy	2,934	-	-	-	2,934	-	2,934	11,161
Travel	5,549	3,699	3,699	5,549	18,496	-	18,496	35,066
Rent and occupancy	2,400	2,400	2,400	2,400	9,600	14,400	24,000	22,547
Professional services	69	69	69	69	276	12,129	12,405	12,116
Service contracts/maintenance agreements	1,755	1,754	1,754	1,754	7,017	1,754	8,771	609
Planned Giving Partnership	-	22,625	-	-	22,625	-	22,625	22,625
Telephone	565	566	565	566	2,262	566	2,828	3,685
Postage	580	580	580	580	2,320	580	2,900	3,150
Miscellaneous	824	824	824	824	3,296	824	4,120	14,667
Call process ministries	-	-	168	-	168	-	168	1,399
Insurance	2,110	2,110	2,110	2,110	8,440	2,110	10,550	9,541
Supplies	156	155	156	156	623	157	780	3,459
Synod Council/Executive Committee	-	-	-	1,206	1,206	-	1,206	3,845
Bishop's Transition Set Aside	-	-	-	-	-	10,000	10,000	10,000
Depreciation	1,125	750	750	22,845	25,470	2,037	27,507	27,506
	<u>\$ 445,153</u>	<u>199,157</u>	<u>179,175</u>	<u>1,055,160</u>	<u>1,878,645</u>	<u>125,363</u>	<u>2,004,008</u>	<u>2,242,152</u>

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

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF CASH FLOWS
For the Year Ended January 31, 2021**

(With Summarized Financial Information for the Year Ended January 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 59,523	274,867
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,507	27,506
Unrealized gain on investments	(31,790)	(30,884)
Realized loss on investments	5,711	-
Changes in operating assets and liabilities		
Receivables - congregations	(1,482)	41,384
Receivables - other	2,103	2,813
Prepaid expenses	(319)	347
Deposits	-	3,200
Accounts payable	(10,891)	14,739
Due to ELCA	7,257	(11,298)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>57,619</u>	<u>322,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of investments	35,642	(53,109)
Change in funds held for others	26,787	(27,035)
Reinvestment of earnings on investments	(28,170)	(24,974)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>34,259</u>	<u>(105,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	<u>167,200</u>	<u>-</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 259,078	 217,556
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>1,478,899</u>	 <u>1,261,343</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 1,737,977</u>	 <u>1,478,899</u>

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

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Central States Synod of The Evangelical Lutheran Church in America (the Synod) is primarily responsible for the life and mission of The Evangelical Lutheran Church in America (ELCA) in Kansas and Missouri. The Synod provides oversight and support services to member congregations and provides developmental support for new congregations. In addition, the Synod provides administrative services for the collection and remittance of designated funds for member congregations. The Synod's revenue and other support are derived principally from contributions from affiliated congregations.

Summarized Financial Information

The financial statements include certain 2020 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Synod's financial statements for the year ended January 31, 2020, from which the summarized information was derived.

Property and Equipment

Property and equipment are recorded at cost for all significant asset additions. Donated assets are recorded at fair value at the date of donation. Depreciation is computed using an accelerated method of depreciation over the estimated useful lives of the assets ranging from three to thirty-nine years.

Accounts Receivable

Accounts receivable are stated at the amounts due from member congregations and others. Accounts receivable are ordinarily due within thirty days. No allowance for doubtful accounts is considered necessary. Delinquent receivables are written off based on individual credit circumstances of the member congregation.

Pledges Receivable

Unconditional pledges to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. At January 31, 2021 and 2020, the Synod considered pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Synod’s Council (the Council) has designated, from net assets without donor restrictions, certain funds for Synod expenses approved by the Council.
- 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 those 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. When donor-imposed restrictions are released, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

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

Income Taxes

The Synod is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Synod recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - Continued

The Synod is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Synod is no longer subject to income tax examinations by the applicable tax authorities for the years before 2018. If any were to be incurred, the Synod's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Cash Equivalents

The Synod considers highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 retains a distinction between operating leases and financing leases, and the classification criteria are substantially similar to previous lease guidance. The main change in the new guidance is the requirement for all leases to be recognized on the statement of financial position at the present value of lease payments. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities*, which delayed the effective date of ASU 2016-02, such that amendments are now required to be adopted for the Synod's January 31, 2023 financial statements. Early adoption is permitted. The Synod is currently evaluating the expected impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) - Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will change the presentation and disclosure for contributions other than financial assets. The Synod will adopt ASU 2020-07 in the reporting period beginning February 1, 2022. Adoption is not expected to significantly impact the financial statements.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain items in the January 31, 2020 summarized financial information have been reclassified to conform with the January 31, 2021 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Subsequent Events

Subsequent events have been evaluated through July 28, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,737,977	1,478,899
Receivables	117,035	117,656
Investments	<u>935,580</u>	<u>916,973</u>
Financial assets at year-end	2,790,592	2,513,528
Less those unavailable for general expenditure within one year, due to:		
Funds held for others	49,032	22,245
Perpetual donor restricted	974,891	974,891
Donor restricted for specified purpose	900,449	925,243
Board-designated	<u>548,594</u>	<u>444,083</u>
Financial assets available for general expenditure within one year	<u>\$ 317,626</u>	<u>147,066</u>

As part of the Synod's liquidity management plan, the Synod periodically invests cash in short-term investments, money market funds, and certificates of deposit. The Council has designated certain assets for specific purposes, but certain of these designations can be changed to meet liquidity needs.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 520, Fair Value Measurements and Disclosures, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Synod classifies its investments into Level 1 (securities valued using quoted market prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs for investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

- Mutual funds are valued at the net asset value of the shares held by the Synod at the reporting date and are classified as Level 1 in the valuation hierarchy.
- Investments in ELCA pooled trust are valued using quoted market prices for the underlying securities. Fair values of securities for which market prices are not readily available are determined based on quoted market prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs from comparable securities. This total fair value is divided by the total number of units in the pool to determine the per-share value that is assigned to the trust's units. These investments are classified as Level 2 in the valuation hierarchy.

The following tables summarize the valuation of investments measured at fair value on a recurring basis in the accompanying statement of financial position, including the additional requirement to classify securities by major category, which is defined as the major security type classifications within ASC 820.

	<u>Assets at Fair Value as of January 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ELCA Pooled Trust				
U.S. common stocks	\$ -	223,456	-	223,456
Non-U.S. stocks	-	265,206	-	265,206
Fixed income securities	-	61,949	-	61,949
U.S. inflation-indexed securities	-	40,884	-	40,884
High yield securities	-	42,195	-	42,195
Real estate securities	-	37,214	-	37,214
Cash and equivalents	-	26,606	-	26,606
Hedge funds	-	42,254	-	42,254
Infrastructure	-	38,699	-	38,699
Private markets	-	<u>40,005</u>	-	<u>40,005</u>
	<u>\$ -</u>	<u>818,468</u>	<u>-</u>	<u>818,468</u>

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 3 - FAIR VALUE MEASUREMENTS - Continued

	<u>Assets at Fair Value as of January 31, 2020</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
ELCA Pooled Trust				
Cash and equivalents	\$ -	25,465	-	25,465
Hedge funds	-	39,335	-	39,335
Fixed income securities	-	63,187	-	63,187
Infrastructure	-	22,855	-	22,855
Private markets	-	24,097	-	24,097
U.S. common stocks	-	218,051	-	218,051
Non-U.S. stocks	-	245,516	-	245,516
U.S. inflation-indexed securities	-	36,861	-	36,861
High yield securities	-	43,185	-	43,185
Real estate securities	-	40,539	-	40,539
Mutual funds				
Money market funds	1,054	-	-	1,054
U.S. stock funds	<u>40,299</u>	<u>-</u>	<u>-</u>	<u>40,299</u>
	<u>\$ 41,353</u>	<u>759,091</u>	<u>-</u>	<u>800,444</u>

The tables below present additional information for the Synod's investments for which fair value is estimated using the practical expedient of reported net asset value (NAV).

	<u>Fair value*</u>	<u>Unfunded Commitments</u>	<u>Expected Liquidation Term</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
<u>January 31, 2021</u>					
ELCA					
Pooled Trust	<u>\$ 818,468</u>	None	N/A	None	None
 <u>January 31, 2020</u>					
ELCA					
Pooled Trust	<u>\$ 759,091</u>	None	N/A	None	None

*Estimated using the NAV of the funds.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 4 - ENDOWMENT FUNDS

The Synod maintains its Endowment Funds with The Evangelical Lutheran Church in America Endowment Fund Pooled Trust (Trust), as well as in various other financial institutions. The endowment funds include funds with donor restrictions and board-designated funds. These investments are recorded at the fair value as provided by the Trust and other institutions. Investment income, including net gains and losses, is reported in the accompanying statement of activities.

The Synod has established policies that assets of the Endowment Funds should be invested with the long-term goal to realize competitive returns without exposure to undue risk. Funds are to be allocated among various classes of investments in a manner consistent with the actions of a prudent investor who is mindful of the fiduciary responsibilities of the Synod Mission Endowment Fund Committee. No recommended asset mix has been established. All expenditures are approved by the Synod Mission Endowment Fund Committee.

The Synod has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Synod classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund with donor restrictions that is not perpetual in nature is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Synod in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following tables present a reconciliation of the beginning and ending balances of the endowment funds with donor restrictions and Board-designated endowment funds for the years ended January 31, 2021 and 2020:

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 4 - ENDOWMENT FUNDS - Continued

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, January 31, 2019	\$ 440,799	1,057,853	1,498,652
Gains	14,932	69,250	84,182
Expenditures	(32,543)	(19,345)	(51,888)
Transfers	<u>8,602</u>	<u>(14,975)</u>	<u>(6,373)</u>
Balance, January 31, 2020	431,790	1,092,783	1,524,573
Gains	14,587	80,372	94,959
Expenditures	(24,888)	(10,000)	(34,888)
Transfers	<u>(27,100)</u>	<u>949</u>	<u>(26,151)</u>
Balance, January 31, 2021	<u>\$ 394,389</u>	<u>1,164,104</u>	<u>1,558,493</u>

As of January 31, 2021 and 2020, the Synod had the following endowment net asset composition by type of fund:

	<u>January 31, 2021</u>		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated	\$ 394,389	-	394,389
Donor-restricted			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	974,891	974,891
Accumulated investment gains	-	182,965	182,965
Subject to expenditure for specific purpose	<u>-</u>	<u>6,248</u>	<u>6,248</u>
Total	<u>\$ 394,389</u>	<u>1,164,104</u>	<u>1,558,493</u>

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 4 - ENDOWMENT FUNDS - Continued

	<u>January 31, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 431,790	-	431,790
Donor-restricted			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	974,891	974,891
Accumulated investment gains	-	112,956	112,956
Subject to expenditure for specified purpose	-	4,936	4,936
Total	\$ 431,790	1,092,783	1,524,573

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of January 31:

	<u>2021</u>	<u>2020</u>
Fund appeal	\$ 100,000	100,000
Discount to present value	(51,546)	(51,546)
	\$ 48,454	48,454
Due within one year	\$ -	-
Due in two to five years	-	-
Due thereafter	48,454	48,454
	\$ 48,454	48,454

Pledges receivable were discounted using a rate of 4% at January 31, 2021 and 2020.

NOTE 6 - MISSION INVESTMENT FUND CERTIFICATES OF DEPOSIT

Mission Investment Fund certificates of deposit represent funds deposited in the Evangelical Lutheran Church in America Loan Fund. These funds are reflected as net assets with donor restrictions of the Synod.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of January 31:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 865,610	865,610
Office equipment	91,588	91,588
Automobiles	58,959	58,959
Furniture and fixtures	44,406	44,406
Tomah Shinga land	<u>90,322</u>	<u>90,322</u>
	1,150,885	1,150,885
Accumulated depreciation	<u>(245,924)</u>	<u>(218,417)</u>
	<u>\$ 904,961</u>	<u>932,468</u>

NOTE 8 - BOARD-DESIGNATED NET ASSETS

Board-designated net assets consisted of the following as of January 31:

	<u>2021</u>	<u>2020</u>
Eugene T. Hackler Scholarship Fund	\$ 32,013	43,560
Council Discretionary Fund	154,205	12,293
Central States Legacy Fund	<u>362,376</u>	<u>388,230</u>
	<u>\$ 548,594</u>	<u>444,083</u>

NOTE 9 - RETIREMENT PLANS

The Synod maintains a 403(b) retirement plan for covered employees that provides for voluntary salary deferrals. The Synod also contributes to a defined contribution plan administered by the ELCA Board of Pensions. Pension expenses under these plans for the years ended January 31, 2021 and 2020 were \$52,975 and \$60,782, respectively. Contributions are determined in accordance with the provisions of the plans.

NOTE 10 - RELATED PARTY

The Synod remits a percentage of congregational support to the national office of the ELCA. Total contribution expense for the years ended January 31, 2021 and 2020 was \$808,028 and \$791,680, respectively. As of January 31, 2021 and 2020, contributions and other amounts due to the national office totaled \$63,630 and \$56,373, respectively.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions subject to expenditure for a specified purpose were available for the following purposes as of January 31:

	<u>2021</u>	<u>2020</u>
Endowment earnings to be used on programs	\$ 189,213	117,892
New and future congregations	29,100	28,610
Synod mission activity	232,718	339,527
Synod assembly	8,474	9,081
Synod agencies	41,457	54,420
Educational opportunities	55,037	48,887
Fund appeal	82,204	83,728
Other purposes	<u>262,246</u>	<u>243,098</u>
	<u>\$ 900,449</u>	<u>925,243</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended January 31:

	<u>2021</u>	<u>2020</u>
Endowment earnings to be used on programs	\$ 10,000	19,345
Synod mission activity	148,421	105,075
Synod assembly	9,071	150,319
Synod agencies	27,985	33,546
Educational opportunities	11,742	36,217
Fund appeal	1,763	17,260
Other purposes	<u>224,018</u>	<u>250,929</u>
	<u>\$ 433,000</u>	<u>612,691</u>

Net assets with perpetual donor restrictions consisted of the following as of January 31:

	<u>2021</u>	<u>2020</u>
Endowed account – principal	\$ 24,502	24,502
Maurer Fund – principal	25,000	25,000
Eugene T. Hackler Scholarship Fund – principal	141,053	141,053
Helena Gillberg Estate – principal	381,126	381,126
Leadership for Mission – principal	106,831	106,831
Abiding Savior Mission Endowment - principal	220,554	220,554
New Mission Congregations – principal	<u>75,825</u>	<u>75,825</u>
	<u>\$ 974,891</u>	<u>974,891</u>

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 12 - OPERATING LEASES

The Synod entered into a one-year lease for office space during the year ended January 31, 2019. The office lease automatically renews if neither party gives notice of its election to not renew. The Synod also has an operating lease for office equipment that expires in September 2023. Total lease expense for the years ended January 31, 2021 and 2020 was \$32,772 and \$32,131, respectively, and is recorded in rent and occupancy expense and miscellaneous expense on the accompanying statement of functional expenses.

Future minimum lease payments at January 31, 2021 are as follows:

<u>Years Ending January 31,</u>	<u>Amount</u>
2022	\$ 27,972
2023	3,972
2024	<u>2,648</u>
	<u>\$ 34,592</u>

NOTE 13 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salary and benefit related expenses are allocated on the basis of estimates of time and effort, while depreciation and other occupancy related expenses are allocated on a square footage basis.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Synod maintains its cash balances in financial institutions in Kansas City, Missouri and St. Louis, Missouri. Balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Uninsured balances at January 31, 2021 and 2020 were \$460,242 and \$107,995, respectively.

The Synod also maintains money market accounts and certificates of deposit in the Mission Investment Fund. These balances, totaling \$1,065,716 and \$1,030,385 at January 31, 2021 and 2020, respectively, were not insured by the FDIC.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 14 - CONCENTRATIONS OF CREDIT RISK - Continued

The Synod invests in various investment securities. Investment securities 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 the amounts reported in the accompanying statement of financial position.

NOTE 15 - RISKS AND UNCERTAINTIES

In early 2020, the COVID-19 outbreak in the United States began disrupting operations and affecting a wide range of industries and their employees. The extent of the impact of COVID-19 on the Synod's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the related impact on its investments, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Synod's financial condition or results of operations is uncertain and cannot be reasonably estimated.

NOTE 16 - NOTE PAYABLE

In April 2020, the Synod received a \$167,200 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for ten months after the end of an eight- to 24-week loan forgiveness covered period. The Synod is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements of the program during the covered period. The loan is uncollateralized and is fully guaranteed by the Federal government.

Assuming no forgiveness, maturities are as follows:

<u>Years Ending January 31,</u>	<u>Amount</u>
2022	\$ 129,665
2023	<u>37,535</u>
	<u>\$ 167,200</u>

See Note 17.

**CENTRAL STATES SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021**

NOTE 17 - SUBSEQUENT EVENTS

The PPP loan discussed in Note 16 along with related interest was forgiven in March 2021 upon meeting the requirements of the program during the covered period.

In January 2022, a member congregation closed, and its building was transferred to the Synod. The estimated fair value of the building was \$862,300. The Synod plans to transfer this property to another not-for-profit organization in the future.

Another member congregation decided to disaffiliate from the ELCA in August 2023 and entered into an agreement with the ELCA and the Synod to receive approval for the disaffiliation and to return \$60,000 of partnership support funds to the ELCA.

A third member congregation was closed by the Synod in October 2022, and its building was transferred to the Synod. The estimated fair value of the building was \$610,000. The Synod plans to sell this property in the future.

SUPPLEMENTARY INFORMATION

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF AGENCY AND INSTITUTION GRANTS
For the Years Ended January 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Seminaries	\$ 30,000	30,000
Bethany College	15,000	15,000
Camp Tomah Shinga	10,000	4,000
Hollis Center - Outdoor Ministries	<u>5,000</u>	<u>3,000</u>
	<u>\$ 60,000</u>	<u>52,000</u>

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF SYNOD PROGRAM COMMITTEE EXPENDITURES
For the Years Ended January 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Bishop's Convocation	\$ 2,000	4,000
Candidacy	2,934	11,161
Parish Ministry Associates	446	96
Area Ministry Program	475	169
Miscellaneous (Unallocated)	<u>1,000</u>	<u>332</u>
	<u>\$ 6,855</u>	<u>15,758</u>

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULE OF RECEIPTS AND EXPENDITURES FOR FUNDS WITH DONOR
RESTRICTIONS, FUNDS HELD FOR OTHERS, AND BOARD-DESIGNATED FUNDS
For the Year Ended January 31, 2021**

	Balance January 31, 2020	Receipts and Transfers	Expenditures	Balance January 31, 2021
Funds With Perpetual Donor Restrictions				
Endowed Account - principal	\$ 24,502	-	-	24,502
Maurer Fund - principal	25,000	-	-	25,000
	<u>49,502</u>	<u>-</u>	<u>-</u>	<u>49,502</u>
Endowment Funds - With Perpetual Donor Restrictions				
Helena Gillberg Estate - principal	381,126	-	-	381,126
Eugene T. Hackler Scholarship Fund - principal	141,053	-	-	141,053
Leadership for Mission - principal	106,831	-	-	106,831
Abiding Savior Mission Endowment	220,554	-	-	220,554
New Mission Congregations - principal	75,825	-	-	75,825
	<u>925,389</u>	<u>-</u>	<u>-</u>	<u>925,389</u>
Total funds with perpetual donor restrictions	<u>\$ 974,891</u>	<u>-</u>	<u>-</u>	<u>974,891</u>
Funds Held for Others				
Held for Monthly Distribution				
Missions	\$ 4,108	33,975	23,536	14,547
Synod Pass-Through Funds	11,444	51,786	37,061	26,169
World Hunger	6,693	33,793	32,170	8,316
	<u>22,245</u>	<u>119,554</u>	<u>92,767</u>	<u>49,032</u>
Total funds held for others	<u>\$ 22,245</u>	<u>119,554</u>	<u>92,767</u>	<u>49,032</u>
Without Donor Restrictions - Board-Designated Funds				
Eugene T. Hackler Scholarship Fund	\$ 43,560	953	12,500	32,013
Council Discretionary Fund	12,293	142,089	177	154,205
Central States Legacy Fund	388,230	(13,466)	12,388	362,376
	<u>444,083</u>	<u>129,576</u>	<u>25,065</u>	<u>548,594</u>
Total without donor restrictions - board-designated	<u>\$ 444,083</u>	<u>129,576</u>	<u>25,065</u>	<u>548,594</u>
Endowment Funds - With Donor Restrictions for Purpose				
Helena Gillberg Estate - earnings	\$ 67,799	35,392	10,000	93,191
Eugene T. Hackler Scholarship Fund - earnings	12,084	17,107	-	29,191
Leadership for Mission - earnings	6,367	9,361	-	15,728
Abiding Savior Mission Endowment - earnings	15,846	11,090	-	26,936
New Mission Congregations - earnings	10,860	7,058	-	17,918
Mission Endowment Campaign	4,936	1,313	-	6,249
	<u>117,892</u>	<u>81,321</u>	<u>10,000</u>	<u>189,213</u>
Synod Funds - With Donor Restrictions for Purpose				
Held for New and Future Congregations				
Peace, Newton, Kansas	28,610	490	-	29,100
	<u>28,610</u>	<u>490</u>	<u>-</u>	<u>29,100</u>

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULE OF RECEIPTS AND EXPENDITURES FOR FUNDS WITH DONOR
RESTRICTIONS, FUNDS HELD FOR OTHERS, AND BOARD-DESIGNATED FUNDS
For the Year Ended January 31, 2021**

	Balance January 31, 2020	Receipts and Transfers	Expenditures	Balance January 31, 2021
Held for Synod Mission Activity				
Companion Synod Visitation	\$ 6,042	4,287	2,501	7,828
LDR Deployed Staff	311,639	2,483	104,193	209,929
The Listening Post	2,459	1	2,457	3
Synod Mission Table	12,996	31,674	33,713	10,957
Russian Pastor Salary Support	2,420	3,139	5,557	2
Synod Outreach Events	3,971	28	-	3,999
	<u>339,527</u>	<u>41,612</u>	<u>148,421</u>	<u>232,718</u>
Held for Synod Assembly				
Assembly Partnership	1,806	14	-	1,820
Assembly Travel Equalization	3,121	22	-	3,143
Synod Assembly Fund	4,154	8,428	9,071	3,511
	<u>9,081</u>	<u>8,464</u>	<u>9,071</u>	<u>8,474</u>
Held for Synod Agencies				
Lutheran School of Theology - St. Louis	54,420	15,022	27,985	41,457
	<u>54,420</u>	<u>15,022</u>	<u>27,985</u>	<u>41,457</u>
Held for Educational Opportunities				
Bethany House of Studies	11,894	1,285	1,004	12,175
Bishop Kemper for PMA Studies	-	321	-	321
Bishop's Convocation	(35)	5,256	2,571	2,650
Continuing Education	10,628	4,909	613	14,924
Professional Development	3,131	900	2,268	1,763
First Call Theological Education	2,180	939	1,180	1,939
Kansas Leadership Center Program	5,257	38	-	5,295
Leadership Camps for MLM	951	7	-	958
Seminarian Scholarship Fund	-	702	-	702
Parish Ministry Associate Program (PMAP)	14,881	3,535	4,106	14,310
	<u>48,887</u>	<u>17,892</u>	<u>11,742</u>	<u>55,037</u>

**CENTRAL STATES SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULE OF RECEIPTS AND EXPENDITURES FOR FUNDS WITH DONOR
RESTRICTIONS, FUNDS HELD FOR OTHERS, AND BOARD-DESIGNATED FUNDS
For the Year Ended January 31, 2021**

	Balance January 31, 2020	Receipts and Transfers	Expenditures	Balance January 31, 2021
Fund Appeal				
Equipping People	\$ 23,776	169	-	23,945
Igniting Spiritual Renewal	5,384	38	-	5,422
Raising Up Leaders	1,779	13	-	1,792
Building Bridges	1,410	10	-	1,420
Malaria/HIV Initiative	1,763	1	1,763	1
Changed, Sent, Serve Endowment	3	-	-	3
Resource Development Costs	1,159	8	-	1,167
Pledges Receivable	48,454	-	-	48,454
	<u>83,728</u>	<u>239</u>	<u>1,763</u>	<u>82,204</u>
Held for Other Purposes				
Area Ministry 7	1,206	-	-	1,206
Area Ministry 8	170	1	-	171
Asset Replacement Fund	31,902	10,076	-	41,978
Bishop's Good Samaritan Fund	2,876	737	1,398	2,215
Bishop Transition Fund	-	10,000	-	10,000
Campus Ministry Fund	4,864	100,497	94,236	11,125
Congregational Renewal/Vitality	41,986	25,180	16,802	50,364
COVID-19 Grant Fund	-	22,506	22,500	6
Health and Wellness Fund	16,681	176	-	16,857
Kansas Disaster Response	1,062	7	-	1,069
LSS Refund Fund	23,761	259	-	24,020
Lutherans Restoring Creation	3,674	176	1,209	2,641
Maurer Fund - Earnings	3,329	141	-	3,470
Region IV	673	4	-	677
Social Ministry Fund	17,283	6,665	16,000	7,948
SOLI Grant - Earth Charter Implementation	-	8,010	950	7,060
Stewardship Programs and Events	768	5	-	773
Synod Disaster Ministry	20,085	48,412	38,900	29,597
Transitional Ministry	47,970	9,612	32,023	25,559
Tri State Area Ministry	2,482	20	-	2,502
Youngblom Fund	1,394	282	-	1,676
Youth Ministry Development Fund	3,889	279	-	4,168
500th Anniversary Fund	17,043	121	-	17,164
	<u>243,098</u>	<u>243,166</u>	<u>224,018</u>	<u>262,246</u>
Total funds with donor restrictions for purpose	\$ 925,243	408,206	433,000	900,449