

**NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

FINANCIAL STATEMENTS

YEAR ENDED JANUARY 31, 2023

DRAFT

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YEAR ENDED JANUARY 31, 2023**

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INDEPENDENT AUDITORS' REPORT

Synod Council
Northern Illinois Synod of the Evangelical Lutheran Church
in America
Rock Island, Illinois

Report of the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Northern Illinois Synod of the Evangelical Lutheran Church in America, which comprise the statement of financial position as of January 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northern Illinois Synod of the Evangelical Lutheran Church in America as of January 31, 2023, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northern Illinois Synod of the Evangelical Lutheran Church in America and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt that the Northern Illinois Synod of the Evangelical Lutheran Church in America's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern Illinois Synod of the Evangelical Lutheran Church in America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Illinois Synod of the Evangelical Lutheran Church in America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report of Summarized Comparative Information

The 2022 financial statements of the Northern Illinois Synod of the Evangelical Lutheran Church in America were audited by other auditors whose report dated May 31, 2022 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended January 31, 2022, 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 accompanying supplementary information for the year ended January 31, 2023 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the 2023 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying supplementary information for the year ended January 31, 2022 was audited by other auditors whose report dated May 31, 2022, stated that in their opinion, the 2022 supplementary information was fairly stated in all material respects in relation to the 2022 financial statements as a whole.

CliftonLarsonAllen LLP

Peoria, Illinois
June 13, 2023

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2023
(WITH COMPARATIVE TOTALS AS OF JANUARY 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 458,408	\$ 592,054
Accounts Receivable	25,000	25,561
Prepaid Expenses	17,719	15,927
Investments	1,858,276	1,890,438
Property and Equipment, Net of Accumulated Depreciation	13,939	41,904
Assets Designated by Synod Council for Use by Jenny Lind Chapel	<u>483,671</u>	<u>506,677</u>
Total Assets	<u><u>\$ 2,857,013</u></u>	<u><u>\$ 3,072,561</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 12,896	\$ 29,268
Accrued Expenses	8,905	6,756
Deferred Revenue	1,894	-
Due to Evangelical Lutheran Church in America	<u>96,906</u>	<u>246,751</u>
Total Liabilities	120,601	282,775
NET ASSETS		
Net Assets Without Donor Restrictions	1,881,561	1,926,651
Net Assets With Donor Restrictions	<u>854,851</u>	<u>863,135</u>
Total Net Assets	<u><u>2,736,412</u></u>	<u><u>2,789,786</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,857,013</u></u>	<u><u>\$ 3,072,561</u></u>

See accompanying Notes to Financial Statements.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JANUARY 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT, AND GAINS				
Contributions and Bequests	\$ 2,117,368	\$ 332,849	\$ 2,450,217	2,529,078
Fees for Services	71,476	-	71,476	69,480
Revenue (Loss) Related to Jenny Lind Chapel	(10,564)	-	(10,564)	30,220
Investment Income (Loss)	13,585	(45,375)	(31,790)	56,986
Gain on PPP Loan Forgiveness	-	-	-	134,900
Miscellaneous Income	12,922	-	12,922	50,125
Gain on Disposal of Property and Equipment	25,537	-	25,537	-
Net Assets Released from Restrictions	295,758	(295,758)	-	-
Total Revenues, Support, and Gains	2,526,082	(8,284)	2,517,798	2,870,789
EXPENSES				
Program	2,001,963	-	2,001,963	1,966,318
Management and General	569,209	-	569,209	496,705
Total Expenses	2,571,172	-	2,571,172	2,463,023
CHANGE IN NET ASSETS	(45,090)	(8,284)	(53,374)	407,766
Net Assets - Beginning of Year	1,926,651	863,135	2,789,786	2,382,020
NET ASSETS - END OF YEAR	<u>\$ 1,881,561</u>	<u>\$ 854,851</u>	<u>\$ 2,736,412</u>	<u>\$ 2,789,786</u>

See accompanying Notes to Financial Statements.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JANUARY 31, 2022)

	2023			2022
	Program	Management and General	Total	Total
Contributions to Evangelical Lutheran Church in America	\$ 1,474,446	\$ -	\$ 1,474,446	\$ 1,471,737
Non-ELCA Designated Payments	15,370	-	15,370	12,015
Contributions to Other Agencies and Institutions	122,407	-	122,407	133,733
Synod Program	42,759	-	42,759	41,480
Payroll and Benefits	320,804	320,804	641,607	614,705
Travel	-	22,933	22,933	7,016
Office Operations	-	15,215	15,215	17,018
Legal and Professional	-	68,373	68,373	75,275
Insurance	-	14,990	14,990	11,684
Synod Assembly	10,994	10,994	21,987	4,854
Equipment, Repairs, and Maintenance	-	3,066	3,066	5,674
Bishop Transition Expenses	-	74,845	74,845	-
Miscellaneous	15,184	15,609	30,793	39,380
Jenny Lind Chapel Expenses	-	12,442	12,442	14,043
Depreciation	-	9,939	9,939	14,409
Total Expenses	<u>\$ 2,001,963</u>	<u>\$ 569,209</u>	<u>\$ 2,571,172</u>	<u>\$ 2,463,023</u>

See accompanying Notes to Financial Statements.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF CASH FLOWS
YEAR ENDED JANUARY 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JANUARY 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (53,374)	\$ 407,766
Adjustments to Reconcile Change in Net Assets to Cash		
Provided (Used) by Operating Activities:		
Depreciation	9,939	14,409
Gain on Disposal of Property and Equipment	(25,537)	-
Unrealized (Gain) Loss on Investments	72,414	(43,658)
PPP Loan Forgiveness	-	(134,900)
Jenny Lind Chapel Net (Income) Expense	23,006	16,001
Changes in Operating Assets and Liabilities:		
Accounts Receivable	561	(24,904)
Prepaid Expenses	(1,792)	41,723
Accounts Payable	(16,372)	(4,374)
Accrued Expenses	2,149	(6,275)
Deferred Revenue	1,894	-
Due to Evangelical Lutheran Church in America	(149,845)	119,572
Contributions Restricted for Long-Term Investment	(603)	(2,606)
Net Cash Provided (Used) by Operating Activities	<u>(137,560)</u>	<u>382,754</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	43,563	-
Net Purchases of Investments	<u>(40,252)</u>	<u>(181,919)</u>
Net Cash Provided (Used) by Investing Activities	3,311	(181,919)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	<u>603</u>	<u>2,606</u>
Net Cash Provided by Financing Activities	<u>603</u>	<u>2,606</u>
NET INCREASE (DECREASE) IN CASH	(133,646)	203,441
Cash - Beginning of Year	<u>592,054</u>	<u>388,613</u>
CASH - END OF YEAR	<u><u>\$ 458,408</u></u>	<u><u>\$ 592,054</u></u>

See accompanying Notes to Financial Statements.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Northern Illinois Synod (Synod) of the Evangelical Lutheran Church in America (ELCA) is a nonprofit religious organization established to coordinate the operations of the ELCA in northern Illinois.

Comparative Financial Information

The financial statements include certain prior year 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, 2022, from which the summarized information was derived.

Basis of Accounting

The financial statements of the Synod have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

Payments to Evangelical Lutheran Church in America

The Synod gives a proportional share of congregational mission support based on a consultation with churchwide and approval at the Synod assembly. Currently, 55% of amounts received for congregational mission support from the various congregations within the Synod are remitted to the Evangelical Lutheran Church in America.

Investments

Investments in certificates of deposit are recorded at cost. Other investments are recorded at fair value and realized and unrealized gains (losses) are reflected in the statement of activities.

Property and Equipment

All property and equipment is recorded at cost except donated assets and the Jenny Lind Chapel, which is a historical building. Donated assets are recorded at estimated fair market value as of the date of the gift. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Jenny Lind Chapel building, surrounding land, and historical contents were valued at estimated fair values as of the date received by the Synod.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Expenditures for fixed assets in excess of \$5,000 are capitalized at cost and depreciated over the estimated useful lives of the respective assets. Property and equipment depreciation is provided using the straight-line method over the useful lives of the assets ranging from 5 to 10 years.

In accordance with *Recognition of Depreciation by Not-for-Profit Organization Standard*, since the building and contents are historic treasures, depreciation expense is not recognized on the Jenny Lind Chapel or its contents.

Revenue Recognition

Unconditional contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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 met. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as with donor-restricted support that increases that net asset classes. 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.

Fees for services are recognized as revenue at the time the assemblies and workshops take place.

In-Kind Contributions

Volunteers contribute significant amounts of time to our program services and administration; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Synod records donated professional services at the respective fair values of the services received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Synod. No significant contributions of such goods or services were received during the year ended January 31, 2023.

Functional Allocation of Expenses

The costs of program and supporting service 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. Expenses that can be identified with a specific program are recorded directly according to their natural expense classification. Other expenses that are common to several functions are allocated based upon estimates by management.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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. A description of the net asset categories follows:

Net Assets Without Donor Restrictions – Net assets which do not have a donor-imposed restriction and are available for use in general operations. The governing board has designated, from net assets without donor restrictions net assets for various ministerial purposes.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of the Synod. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Income Taxes

The Synod was formed as a nonprofit entity and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is included in the financial statements. The Synod does not believe it has taken any uncertain tax positions and, accordingly, has not recorded any reserve for uncertain tax positions.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Synod adopted the requirements of the lease guidance effective February 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. The Synod has determined it has no material leases, therefore the adoption of this standard did not have an impact on the financial statements.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

During the year ended January 31, 2023, the Synod adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

Subsequent Events

The Synod has evaluated subsequent events through June 13, 2023, which is the date these financial statements were issued.

NOTE 2 INVESTMENTS

A summary of investments are as follows as of January 31, 2023:

Held by the Evangelical Lutheran Church in America:

Mission Investment - Certificates of Deposit	\$ 701,321
Mission Investment - Demand Deposits	266,790
Ministry Growth Fund of the ELCA Endowment	
Fund Pooled Trust	729,537
RBC Money Market Fund	160,628
Total	<u>\$ 1,858,276</u>

Investment gain (loss) for the year ended January 31, 2023:

Interest and Dividends	\$ 42,695
Net Unrealized Losses on Investments	(74,485)
Total	<u>\$ (31,790)</u>

NOTE 3 FAIR VALUE MEASUREMENTS

Fair value measurements establish 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 fair value hierarchy under Fair Value Measurements are described as follows:

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.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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; or
- 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 market data by correlation or other means.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Ministry Growth Fund of the ELCA Endowment Fund Pooled Trust – Valued at the net asset value (NAV) of units held by the Synod at year-end, which is valued based on the underlying investments in the pool.

The following table presents the Synod's fair value hierarchy for the assets measured at fair value at January 31, 2023:

	Total	Fair Value Measurements at Report Date Using		
		(Level 1)	(Level 2)	(Level 3)
Ministry Growth Fund of the ELCA Endowment Fund Pooled Trust	\$ 729,537	\$ -	\$ -	\$ 729,537
Jenny Lind Trust - Ministry Growth Fund of the ELCA Endowment Fund Pooled Trust	309,585	-	-	309,585
Total	<u>\$ 1,039,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,122</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 4 ENDOWMENT FUNDS

The Synod's endowment consists of one individual fund established for a variety of purposes. 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 Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires 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. Consequently, the Synod classifies net assets with donor restriction, perpetual in nature, as:

- The original value of gifts donated to the permanent endowment,
- The original value of subsequent gifts to the permanent endowment, and
- The accumulation to the permanent 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 donor-restricted endowment fund not classified as with donor restriction, perpetual in nature, is classified as net assets with donor restriction, temporary in nature, until those amounts are appropriated for expenditure by the Synod Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Synod considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund.
2. The mission of the Synod and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible impact of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Synod.
7. The investment policies of the Synod.

Investment Return Objectives, Risk Parameters, and Strategies

The Synod has adopted investment and spending policies, approved by the Synod Council, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in the Mission Investment Fund.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 4 ENDOWMENT FUNDS (CONTINUED)

Spending Policy

The Synod has a policy of distributing the income annually and at such other times as deemed necessary and/or feasible to accomplish the purposes of the fund. The Synod Endowment Fund Committee shall recommend to the Synod Council on an annual basis the amounts and purposes for expenditure of income earned during the prior year. In establishing this policy, the Synod considered the long-term expected return on its investment assets, the nature and duration of the endowment funds which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Synod expects the current spending policy to allow its endowment funds to grow annually at a nominal average return. This is consistent with the Synod's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

At January 31, 2023, the corpus of the endowment was \$1,015,390 and the fair value of the endowment was \$730,238, therefore the endowment was considered underwater in the amount of \$285,152 as a result of excess spending over the investment earnings as well as investment losses. In response to this underwater position, the Synod will make all efforts to cease spending from the endowment to rebuild the endowment to an amount greater than the corpus.

Endowment net asset composition by type of fund as of January 31, 2023, is as follows:

Donor Restricted Endowment Funds	\$ 730,238
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Changes in endowment net assets for the year ended January 31, 2023, are as follows:

Donor Restricted Endowment Net Assets - Beginning of Year	\$ 775,612
Contributions	603
Interest	28,507
Net Depreciation	<u>(74,484)</u>
Donor Restricted Endowment Net Assets - End of Year	<u><u>\$ 730,238</u></u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consist of a noninterest bearing loan to GPS Faith Community in the amount of \$25,000 as of January 31, 2023. The loan to GPS Faith Community will be repaid over the course of 7 years and is due in full in July 2028.

The Synod considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required at this time. If amounts become uncollectible, they will be charged to operations when that determination is made.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment as of January 31, 2023, consists of:

Furniture, Fixtures, and Equipment	\$ 14,600
Vehicles	<u>24,977</u>
Total	39,577
Less: Accumulated Depreciation	<u>25,638</u>
Property and Equipment, Net	<u><u>\$ 13,939</u></u>

NOTE 7 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within 12 months of the statement of financial position date, comprise of the following as of January 31, 2023:

Cash	\$ 328,960
Investments	<u>1,191,888</u>
Total	<u><u>\$ 1,520,848</u></u>

Donor restricted net assets are not included in the cash and investments above. The Synod does not have a formal liquidity policy. The Synod invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Council designates a portion of any operating surplus to its reserves, which totaled \$116,276 as of January 31, 2023.

NOTE 8 EMPLOYEE BENEFITS

The Synod participates in the defined contribution pension and health and welfare plans of the ELCA. The plan covers Synod employees and is administered by Portico Benefit Services, ELCA. These plans provide health, dental, disability, and pension benefits. Employer contributions under the pension plan are determined as a percent of each employee's compensation and under the health and welfare plan are determined by the Portico Benefit Services, ELCA based on actuarial studies. Contributions by the Synod to the Portico Benefit Services, ELCA for the year ended January 31, 2023 was \$152,793.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 9 JENNY LIND CHAPEL

At January 31, 2023, assets held by the Synod pertaining to the Jenny Lind Chapel consisted of the following:

Cash	\$ 18,709
Jenny Lind Chapel Trust	<u>312,867</u>
Total Cash and Invested Assets	331,576
Furniture and Equipment	17,845
Land and Building	<u>134,250</u>
Total	<u>\$ 483,671</u>

The Jenny Lind Chapel Trust was established by the Synod Council for the purpose of providing income for the future maintenance of the Chapel. The trust is governed by a board of five trustees appointed by the Synod Council. Members of the Synod Council and employees of the Synod are not eligible to act as trustees. Upon termination of the trust, any remaining funds will be returned to the Synod. At January 31, 2023, funds held by the trust consisted of the following:

Held by the Evangelical Lutheran Church in America:	
Mission Investment - Demand Deposits	\$ 3,282
Ministry Growth Fund of the ELCA Endowment	
Fund Pooled Trust	<u>309,585</u>
Total	<u>\$ 312,867</u>

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JANUARY 31, 2023

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of January 31, 2023:

Subject to Expenditure for Specified Purpose:	
Synod Conference Programs	\$ 12,524
Clergy (Retired Rostered) and Spouse	5,775
Congregational Life Grants	5,000
Diakonia Program	6,357
ELCA Deacon Affinity Group	926
Equity, Inclusion, and Diversity	14,801
Global Ministries NIS Committee	85
Grace, Woodstock Mission Founder	954
Men In Mission	968
Men In Mission - Reorganization	3,472
Martin Msseemmaa Scholarship	18,993
Rostered Minister Portico Benefits	3,666
Seminarian Scholarships	8,806
Social Justice Grants	7,208
Stewardship Project	2,369
Tanzania Nursing School	-
Vitality Project	28,544
Women's Retreat	1,749
Worship	364
Youth Ministry	2,052
Endowment Earnings Subject to Spending Policy and Appropriation	(285,152)
Funds Held in Perpetuity in the Endowment	1,015,390
Total Net Assets with Donor Restrictions	<u><u>\$ 854,851</u></u>

NOTE 11 CONCENTRATION OF CREDIT RISK

At January 31, 2023, the carrying amount of the Synod's deposits in checking accounts was \$458,408 and the bank balance was \$447,197. Of the bank balance, \$443,176 was covered by federal depository insurance and \$4,021 was uninsured.

NORTHERN ILLINOIS SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
SUPPLEMENTAL SCHEDULES OF SELECTED CONTRIBUTIONS AND BEQUESTS,
AND SELECTED EXPENSES
YEAR ENDED JANUARY 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JANUARY 31, 2022)
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022	Increase or (Decrease)
Contributions and Bequests:			
Congregational Mission Support	\$ 2,117,368	\$ 2,203,909	\$ (86,541)
Mission Gifts	95,062	31,166	63,896
World Hunger	216,814	155,860	60,954
Other	20,370	100,334	(79,964)
Restricted Contributions	603	2,606	(2,003)
Total	<u>\$ 2,450,217</u>	<u>\$ 2,493,875</u>	<u>\$ (43,658)</u>
Expenses:			
Payments to Evangelical Lutheran Church in America:			
Congregational Mission Support	\$ 1,159,834	\$ 1,198,574	\$ (38,740)
Mission Gifts	97,778	27,392	70,386
World Hunger	216,834	155,860	60,974
Other	15,184	89,911	(74,727)
Non-ELCA Designated Payments	15,370	12,015	3,355
Total	<u>\$ 1,505,000</u>	<u>\$ 1,483,752</u>	<u>\$ 21,248</u>
Contributions to Other Agencies and Institutions:			
Campus Ministry	\$ 20,600	\$ 21,600	\$ (1,000)
Seminaries	28,000	34,900	(6,900)
Lutheran Social Services of Illinois	59,000	60,800	(1,800)
Lutheran Outdoor Ministries Center	11,700	11,700	-
Illinois Conference of Churches	-	48	(48)
Regional Ministries	3,107	4,685	(1,578)
Total	<u>\$ 122,407</u>	<u>\$ 133,733</u>	<u>\$ (11,326)</u>
Synod Programs	<u>\$ 42,759</u>	<u>\$ 41,480</u>	<u>\$ 1,279</u>
General Administration:			
Payroll and Benefits	\$ 320,804	\$ 614,705	\$ (293,902)
Travel	22,933	7,016	15,917
Office Operations	15,215	17,018	(1,803)
Legal and Professional	68,373	75,275	(6,902)
Insurance	14,990	11,684	3,306
Synod Assembly	10,994	4,854	6,140
Equipment, Repairs, and Maintenance	3,066	5,674	(2,608)
Bishop Transition	74,845	-	74,845
Miscellaneous	15,609	39,380	(23,771)
Total	<u>\$ 546,828</u>	<u>\$ 775,606</u>	<u>\$ (228,778)</u>