

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**REPORT ON FINANCIAL STATEMENTS
(with supplementary information)**

YEARS ENDED JANUARY 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the North/West Lower Michigan Synod
of the Evangelical Lutheran Church in America

Report on the Financial Statements

We have audited the accompanying financial statements of the North/West Lower Michigan Synod of the Evangelical Lutheran Church in America (a nonprofit organization) which comprise the statements of financial position as of January 31, 2015 and 2014, and the related statements of activities and cash flows for the year ended January 31, 2015 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 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 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 North/West Lower Michigan Synod of the Evangelical Lutheran Church in America as of January 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended January 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the North/West Lower Michigan Synod of the Evangelical Lutheran Church in America's 2014 financial statements, and our report dated April 16, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented in the statement of activities for the year ended January 31, 2014, 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 supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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April 16, 2015

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2015 AND 2014**

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 366,739	\$ 366,917
Investments	2,069,637	1,626,763
Accounts receivable	36,701	40,581
Note receivable	-	52,721
Prepaid expenses	29,074	10,694
Property and equipment, less accumulated depreciation	44,265	4,318
TOTAL ASSETS	\$ 2,546,416	\$ 2,101,994
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 19,529	\$ 27,977
Accrued payroll and related	11,527	11,033
Deferred revenue	5,719	7,982
Total liabilities	36,775	46,992
NET ASSETS:		
Unrestricted:		
Undesignated	(16,956)	(18,876)
Designated	562,157	556,277
Total unrestricted	545,201	537,401
Temporarily restricted	1,121,801	1,067,750
Permanently restricted	842,639	449,851
Total net assets	2,509,641	2,055,002
TOTAL LIABILITIES AND NET ASSETS	\$ 2,546,416	\$ 2,101,994

See notes to financial statements.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2015
(with comparative totals for the year ended January 31, 2014)**

	2015			Total	2014 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
REVENUES AND SUPPORT:					
Mission support	\$ 1,368,893	\$ -	\$ -	\$ 1,368,893	\$ 1,364,129
Center for mission and ministry	25,672	8,515	-	34,187	28,496
Committee revenue	14,275	-	-	14,275	27,088
Investment income - net	50,532	63,487	-	114,019	120,793
Grant revenue	23,609	-	-	23,609	10,000
New and renewing congregations	-	719	-	719	90,436
Registration fees - leadership event	3,235	-	-	3,235	6,269
Registration fees - synod assembly	34,045	-	-	34,045	45,316
Seminary education assistance	-	20	-	20	10,882
Synod congregational support	999	22,431	-	23,430	10,423
Synod-wide revenue	4,854	46,341	-	51,195	12,987
Other income	11,187	-	-	11,187	11,032
Transfers from closed congregations	20	418	392,788	393,226	27,985
Net assets released from restrictions	87,880	(87,880)	-	-	-
Total revenues and support	<u>1,625,201</u>	<u>54,051</u>	<u>392,788</u>	<u>2,072,040</u>	<u>1,765,836</u>
EXPENSES:					
Program services:					
Agency-organizational ministry support:					
ELCA church-wide support	684,447	-	-	684,447	683,725
Capital University and Wittenberg University	6,000	-	-	6,000	6,000
Living Water Ministries	45,000	-	-	45,000	45,000
Lutheran Social Services of Michigan	5,000	-	-	5,000	5,000
Michigan Lutheran Campus Ministry	60,000	-	-	60,000	60,000
Region 6 support (includes archives)	9,365	-	-	9,365	9,365
Trinity Lutheran Seminary	32,000	-	-	32,000	30,000
Total agency-organizational ministry support	<u>841,812</u>	<u>-</u>	<u>-</u>	<u>841,812</u>	<u>839,090</u>
Synod ministries:					
Closed congregation expense	36,150	-	-	36,150	70,298
Synod assembly	53,568	-	-	53,568	49,857
Synod council	3,449	-	-	3,449	13,634
Total synod ministries	<u>93,167</u>	<u>-</u>	<u>-</u>	<u>93,167</u>	<u>133,789</u>
Special programs:					
Paul Trapp endowment	13,640	-	-	13,640	12,700
Wilson trust	13,160	-	-	13,160	13,274
Seminarian education assistance	374	-	-	374	11,500
Center for Mission and Ministry	21,325	-	-	21,325	14,312
Honduras companion support	12,030	-	-	12,030	9,500
New and renewing congregations	6,000	-	-	6,000	-
Other congregational support	2,500	-	-	2,500	2,640
Total special programs	<u>69,029</u>	<u>-</u>	<u>-</u>	<u>69,029</u>	<u>63,926</u>

See notes to financial statements.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2015
(with comparative totals for the year ended January 31, 2014)**

	2015			Total	2014 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
EXPENSES:					
Program services (Concluded):					
Program support:					
Church in society committee	\$ 20,940	\$ -	\$ -	\$ 20,940	\$ 16,780
Communication committee	1,500	-	-	1,500	-
Financial support committee	7,162	-	-	7,162	937
Global mission committee	4,701	-	-	4,701	11,699
Ministry committee	37,960	-	-	37,960	43,867
Outreach committee	40,216	-	-	40,216	43,891
Multicultural committee	17,931	-	-	17,931	-
Witness/evangelism committee	1,638	-	-	1,638	137
Worship committee	677	-	-	677	24
Youth committee	2,216	-	-	2,216	25
Total program support	<u>134,941</u>	<u>-</u>	<u>-</u>	<u>134,941</u>	<u>117,360</u>
Total program services	<u>1,138,949</u>	<u>-</u>	<u>-</u>	<u>1,138,949</u>	<u>1,154,165</u>
Support services:					
Staff salaries and benefits:					
Salary - administrative support staff	77,928	-	-	77,928	65,252
Salary and housing - called staff	133,700	-	-	133,700	138,231
Salary - deployed staff	47,748	-	-	47,748	32,307
Social security allowance	16,319	-	-	16,319	9,880
Payroll taxes	9,361	-	-	9,361	7,463
Health insurance and retirement	77,662	-	-	77,662	57,761
Continuing education	516	-	-	516	165
Other insurance	2,851	-	-	2,851	2,284
Total staff salaries and benefits	<u>366,085</u>	<u>-</u>	<u>-</u>	<u>366,085</u>	<u>313,343</u>
Synod administration:					
Bishop's discretionary fund	2,345	-	-	2,345	2,926
Insurance - operating	10,671	-	-	10,671	8,835
Lease expense	16,800	-	-	16,800	16,800
Office equipment - maintenance	6,360	-	-	6,360	5,617
Office supplies	8,724	-	-	8,724	8,710
Postage	1,965	-	-	1,965	2,754
Professional fees	15,729	-	-	15,729	17,524
Telephone	10,908	-	-	10,908	9,593
Transition costs and moving expense	7,786	-	-	7,786	19,171
Travel - staff	34,144	-	-	34,144	21,378
(Gain) loss on disposal of asset	(16,606)	-	-	(16,606)	235
Website and network	2,179	-	-	2,179	3,235
Total synod administration	<u>101,005</u>	<u>-</u>	<u>-</u>	<u>101,005</u>	<u>116,778</u>
Depreciation expense	<u>11,362</u>	<u>-</u>	<u>-</u>	<u>11,362</u>	<u>1,669</u>
Total support services	<u>478,452</u>	<u>-</u>	<u>-</u>	<u>478,452</u>	<u>431,790</u>
Total expenses	<u>1,617,401</u>	<u>-</u>	<u>-</u>	<u>1,617,401</u>	<u>1,585,955</u>
CHANGE IN NET ASSETS	7,800	54,051	392,788	454,639	179,881
NET ASSETS, beginning of year	<u>537,401</u>	<u>1,067,750</u>	<u>449,851</u>	<u>2,055,002</u>	<u>1,875,121</u>
NET ASSETS, end of year	<u>\$ 545,201</u>	<u>\$ 1,121,801</u>	<u>\$ 842,639</u>	<u>\$ 2,509,641</u>	<u>\$ 2,055,002</u>

See notes to financial statements.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2015 AND 2014**

	2015	2014
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	<u>\$ 454,639</u>	<u>\$ 179,881</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,362	1,669
(Gain) loss on disposal of assets	(16,606)	235
Realized and unrealized gain on investments	(60,487)	(72,894)
Accounts receivable	3,880	2,257
Prepaid expenses	(18,380)	4,126
Accounts payable	(8,448)	7,310
Accrued payroll and related	494	(353)
Deferred revenue	(2,263)	3,783
Total adjustments	<u>(90,448)</u>	<u>(53,867)</u>
Net cash provided by operating activities	<u>364,191</u>	<u>126,014</u>
Cash flows from investing activities:		
Purchase of investments	(425,306)	(139,671)
Sale of investments	42,919	39,716
Purchase of property and equipment	(51,309)	(3,927)
Proceeds from sale of property and equipment	16,606	-
Note receivable repayment (borrowing)	52,721	(52,721)
Net cash used by investing activities	<u>(364,369)</u>	<u>(156,603)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(178)	(30,589)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>366,917</u>	<u>397,506</u>
End of year	<u><u>\$ 366,739</u></u>	<u><u>\$ 366,917</u></u>

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The books and records of the Synod are maintained on the accrual basis of accounting, which recognizes income when earned and expenses when incurred. The Synod is required to report its financial position and activities according to three classes of net assets based on donor imposed restrictions. A description of the three net asset categories follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets whose use is limited by either a donor-imposed time restriction or a donor imposed purpose restriction. When a restriction expires (that is, when a stipulated time restriction ends or funds are expended for the specific purpose) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets that donors have instructed the Synod to maintain in perpetuity, that is, permanently.

Financial statement presentation - The statement of activities includes 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 prior-year statement of activities from which the summarized information was derived.

Programs:

- Agency-organizational ministry support:
 - ❖ ELCA agencies and organizations - This activity promotes resources available for monthly or quarterly ministry support for various ELCA related ministries within Region 6.
 - ❖ Church-wide ministry support - This activity provides unrestricted resources for distribution through the church-wide expression of the Evangelical Lutheran Church in America for missions domestically and globally.
- Synod ministries - This activity provides resources for the Synod Assembly, the highest level synod legislative body, and for the Synod Council which transacts and oversees the ministries of the Synod between assemblies.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Programs (Continued):

- Special programs:
 - ❖ Paul Trapp endowment - This activity oversees requests for financial support for synod congregations in the northern portion of the Lower Peninsula, funded by annual earnings received by the Paul Trapp Endowment Fund Pooled Trust.
 - ❖ Wilson trust - This activity provides financial resources for synod member churches located in Saginaw County, Michigan, funded by a one-time bequest and annual earnings received by the Wilson Endowment Trust.
 - ❖ Seminarian education assistance - This activity oversees requests for financial support for tuition and/or non-tuition expenses of seminarians toward calls in ELCA ministries, which is funded by donations and annual earnings received by the To Whom Shall We Go Endowment Fund Pooled Trust.
 - ❖ New and renewing congregations - This activity provides financial resources for new congregations and other congregations in renewal within the Synod, funded by donations and annual earnings received by the To Whom Shall We Go Endowment Fund Pooled Trust.
 - ❖ Center for Mission and Ministry - Originally intended to be part of a campus which would also include a Lutheran Episcopal congregation and the synodical offices, this activity evolved to provide programs for spiritual discernment and formation throughout the Synod.
 - ❖ Making Us One - Launched in 2009 as a capital campaign, this activity intends to raise sufficient cash and pledges to construct a Center for Mission and Ministry and new synodical offices, a three-part campus that include the worship and fellowship site of Christ United, a Lutheran-Episcopal congregation in DeWitt, Michigan.
 - ❖ Companion and other congregational support - Through the global Lutheran family, the ELCA has bilateral “companion church” relationships with many national Lutheran church bodies. These global relationships are deepened by the ELCA Companion Synods Program, which connects 65 ELCA synods in over 120 international companion relationships. Through these companion relationships, members of ELCA synods live out the accompaniment model of the global mission.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Programs (Continued):

- Program support:
 - ❖ Christian education committee - This committee shall be the conduit between congregations, the Synod, the region and church-wide bodies to promote Christian education. The committee shall recruit, train and equip educational leaders within congregations. The committee shall also provide oversight of the Synod resource room.
 - ❖ Church in society committee - This committee shall respond to the Gospel and thereby address social issues through study, grants, advocacy and social statements. This committee shall assist congregations in establishing and implementing social ministry programs.
 - ❖ Communication committee - This committee shall communicate and interpret the ministries of the Church, especially focusing on three levels: congregational, synodical and church-wide. It will accomplish these tasks using periodicals, resources and media instruments most beneficial.
 - ❖ Financial support committee - This committee oversees stewardship consultations with congregations each year. It also assists with the Synod's budget formation. It acts as a catalyst and advocate for programs and resources beneficial for stewardship growth within the congregation.
 - ❖ Global mission committee - This committee shall be responsible for supporting and interpreting the mission work of the church that is done outside the United States as well as that done within. The committee may include in its work the Companion Synod program, congregational advocates and their assisting tools.
 - ❖ Ministry committee - This committee shall be responsible for candidacy, leadership support, specialized ministry and ministry of laypersons in daily life.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Programs (Concluded):

- ❖ Outreach committee - This committee shall be responsible for helping and supporting mission congregations, develop new ministries, support urban and rural coalitions, monitor the Mission Partner Program of the Evangelical Lutheran Church in America, and coordinate mission efforts of the ELCA. The committee shall develop a mission strategy appropriate to the context of the Synod, review funding requests related to the Evangelical Lutheran Church in America for Outreach and coordinate a mission strategy with other synods of Region 6.
- ❖ Multicultural committee - this committee shall promote and facilitate inclusivity, and consult with and/or relate to synod congregations, other synod committees, units of the ELCA, and/or Region 6 on matters which are multi-cultural.
- ❖ Witness/evangelism committee - This committee shall lift up the task of sharing the Gospel of Jesus Christ in word and deed; enable congregations and their members to do this corporately and individually with both the unchurched and their own inactive members; and equip congregations and individuals in any and all appropriate ways of accomplishing this God-given task.
- ❖ Worship committee - This committee shall advise, plan and coordinate workshop for synodical events. The committee shall make available resources, workshops, and worship events to congregations of the Synod.
- ❖ Youth committee - This committee shall serve the youth of the synod as they do ministry in congregations, conferences, the synod and the church-at-large. The committee shall listen to the goals and needs of youth and be advocates in planning and implementation of these goals, work with the Lutheran Youth Organization of the Synod and strive to empower the youth in their ministry. The committee shall also serve as a resource to congregations in the area of youth ministry.

Functional allocation of expenses - The costs of the various programs and other activities have been summarized on a functional basis in Note 12. Fundraising has not been segregated on the basis of immateriality.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Cash and cash equivalents - Cash and cash equivalents consist of cash accounts and money market funds. Cash held by investment managers is considered an investment rather than cash equivalent.

Investments - Investments are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

Accounts receivable - Accounts receivable includes amounts collected by local ministries during the years ended January 31, 2015 and 2014, but not received by the Synod until after year end.

Contributions receivable - The Synod's contributions receivable are comprised of contributions pledged or bequeathed to the Synod and are expected to be collected within one year. The Synod provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the receivable account. Based on management's estimate, no allowance for bad debts was necessary for the years ended January 31, 2015 and 2014.

Property and equipment - Property and equipment are recorded at cost. Donated assets are recorded at fair value at the date of donation. Depreciation is computed over the estimated useful life of assets using the straight-line method. Cost of maintenance and repairs are charged to expense when incurred.

Deferred revenue - Deferred revenue represents grants received in advance of related program expenses and assets held on behalf of others in an agency capacity.

NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES

The North/West Lower Michigan Synod of the Evangelical Lutheran Church in America (the "Synod") is a Michigan Non-Profit Corporation. The purpose of the Synod is to develop and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures, and management services for the member churches. The member churches are located in the northern and western half of the Lower Peninsula of Michigan ("Region 6"). Using ministry support and special offerings received from its member churches, the Synod contributes to denominational ministries and provides support for various missions, educational programs and youth outreach. The Synod is exempt from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES (Concluded)

The Synod is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the organization to concentrations of significant credit risk consist of cash and cash equivalents, and investments. The Synod places its cash with FDIC insured financial institutions and thereby limits the amount of credit exposure to any one financial institution. Although such cash balances may exceed the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Credit risk with respect to investments is limited due to the wide variety of investment vehicles used as part of participation in the Evangelical Lutheran Church in America (ELCA) Endowment Fund Pooled Trust and the Evangelical Lutheran Church in America Mission Investment Fund. These investments are not insured by the FDIC or any other regulatory agency. The Synod's investment portfolio is also subject to market risk.

Investments are disclosed in Notes 3 and 4 and consist largely of amounts invested in various funds by the Evangelical Lutheran Church in America Endowment Fund Pooled Trust and the Evangelical Lutheran Church in America Mission Investment Fund.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The Synod evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through April 16, 2015, which is the date the financial statements were available to be issued.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INVESTMENTS

Investments at January 31 consist of the following:

	<u>2015</u>	<u>2014</u>
ELCA Mission Investment Fund:		
Money market fund	\$ 257,741	\$ 276,224
Short-term investment fund	34,122	33,808
ELCA Endowment Fund Pooled Trust	<u>1,777,774</u>	<u>1,316,731</u>
	<u>\$ 2,069,637</u>	<u>\$ 1,626,763</u>

Investment income for the year ended January 31 consists of the following:

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Interest and dividends	\$ 192	\$ 2,653	\$ 2,845
ELCA pooled trust dividend	24,309	26,378	50,687
Realized/unrealized gain on investments - net	<u>26,031</u>	<u>34,456</u>	<u>60,487</u>
	<u>\$ 50,532</u>	<u>\$ 63,487</u>	<u>\$ 114,019</u>
	<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Interest and dividends	\$ 356	\$ 2,712	\$ 3,068
ELCA pooled trust dividend	20,478	24,353	44,831
Realized/unrealized gain on investments - net	<u>32,835</u>	<u>40,059</u>	<u>72,894</u>
	<u>\$ 53,669</u>	<u>\$ 67,124</u>	<u>\$ 120,793</u>

Investment income is net of related investment expenses for the years ended January 31, 2015 and 2014.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy 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.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Synod's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

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. There have been no changes in the methodologies used at January 31, 2015 and 2014.

ELCA Endowment Fund Pooled Trust: Valued at the net asset value (NAV) of the units held by the Synod, the Fund is available for exclusive investment by Evangelical Lutheran Church in America related institutions. The primary investment objective of the Fund is to provide for long term capital growth. The Fund seeks to achieve its investment objectives by investing in a diversified portfolio of equity, bond and real estate securities. Investments held at the ELCA Endowment Fund Pooled Trust include numerous securities that are combined with the investment portfolios of other ELCA related organizations. As such, they are considered Level 3 investments.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

ELCA Mission Investment Fund: Valued at the NAV, the Fund is available for exclusive investment by Evangelical Lutheran Church in America related institutions. The Fund participates in short-term investments offering demand, saving and term investment accounts. As such, they are considered Level 2 investments.

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.

The following is a market value summary by the level of the inputs used, as of January 31, 2015 and 2014, in evaluating the Synod's assets carried at fair value. The inputs or methodologies used for valuing securities may not be an indication of the risk associated with investing in those securities.

<u>Description</u>	<u>2015</u>	<u>2014</u>
Level 2 measurement:		
ELCA Mission Investment Fund:		
Short-term investment fund	\$ 34,122	\$ 33,808
Level 3 measurement:		
ELCA Endowment Fund Pooled Trust	1,777,774	1,316,731
ELCA Mission Investment Fund:		
Money market funds at cost	<u>257,741</u>	<u>276,224</u>
Total	<u>\$ 2,069,637</u>	<u>\$ 1,626,763</u>

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEASUREMENTS (Concluded)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance February 1, 2013	\$ 1,188,127
ELCA pooled trust dividend	44,831
Realized/unrealized gain on sale of investments - net	72,894
Purchases	50,595
Proceeds from sale	<u>(39,716)</u>
Balance January 31, 2014	1,316,731
ELCA pooled trust dividend	50,687
Realized/unrealized gain on sale of investments - net	60,487
Purchases	392,788
Proceeds from sale	<u>(42,919)</u>
Balance January 31, 2015	<u><u>\$ 1,777,774</u></u>

NOTE 5 - NOTE RECEIVABLE

The Synod is required to disclose the nature of credit risk inherent to financing receivables, its analysis and assessment in arriving at the allowance for credit losses (doubtful accounts), and the changes and reasons for those changes in the allowance for credit losses. Financing receivables as of January 31, consist of the following:

	<u>2015</u>	<u>2014</u>
Note receivable, consisted of a loan offered on January 31, 2014, for \$52,721 between the Bishop and the Synod for the down payment of a house, 0% interest. The full balance was due upon the sale of the Bishop's prior residence which occurred August 2014. The note was secured by the Bishop's residence.	\$ -	\$ 52,721
Less current portion	<u>-</u>	<u>(52,721)</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE RECEIVABLE (Concluded)

Notes receivable are carried at unpaid principal balances, less an allowance for doubtful collection. The Synod periodically evaluates the adequacy of the allowance based on past experience and potential adverse situations that may affect the borrower's ability to repay. It is the Synod's policy to write off a loan only when they are deemed to be permanently uncollectible. As of January 31, 2015 and 2014, there were no amounts past due. The Synod believes that no allowance is considered necessary.

The collection status of notes receivable at January 31, is as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ -	\$ 52,721
Past due	-	-
Total financing receivables	<u>\$ -</u>	<u>\$ 52,721</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment and their depreciable lives as of January 31, are summarized as follows:

	Estimated useful life (in years)	<u>2015</u>	<u>2014</u>
Furniture and equipment	5	\$ 12,864	\$ 12,380
Vehicles	3	<u>50,629</u>	<u>48,738</u>
		63,493	61,118
Less accumulated depreciation		<u>19,228</u>	<u>56,800</u>
Net property and equipment		<u>\$ 44,265</u>	<u>\$ 4,318</u>
Depreciation expense		<u>\$ 11,362</u>	<u>\$ 1,669</u>

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OPERATING LEASE

The Synod rents office space under the terms of an operating lease from a member church that expired in 2011. Future rent is based on a verbal agreement that the lease continues on a month-to-month basis. The current base monthly lease rate is \$1,400. Rent expense for the years ended January 31, 2015 and 2014 amounted to \$16,800 and \$16,800, respectively.

NOTE 8 - RETIREMENT PLAN

The Synod participates in a multi-employer defined contribution pension plan administered by Portico, formerly the Evangelical Lutheran Church in America Board of Pensions, which covers all full-time employees. The Synod contributes between 6 and 12 percent of each participant's annual wages. Contributions made by the Synod amounted to \$18,844 and \$20,318 for the years ended January 31, 2015 and 2014, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Synod conducts essentially all transactions, other than purchases of goods and services and sales of certain property, with affiliated congregations. Certain administrative expenses are reimbursed by related organizations.

NOTE 10 - NET ASSETS

Unrestricted net assets at January 31 were comprised of the following:

	2015	2014
Unrestricted, designated:		
Cash flow reserve	\$ 17,520	\$ 15,602
Automobile purchases	-	20,000
Severance pay - called staff	20,000	20,000
Shared risk deductible	5,000	5,000
Emmaus, Cascade land sale	11,770	11,770
St. Luke's, Stevensville	5,539	5,539
Synod-designated endowment	502,328	478,366
Total unrestricted, designated net assets	562,157	556,277
Unrestricted, undesignated	(16,956)	(18,876)
Total unrestricted net assets	\$ 545,201	\$ 537,401

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - NET ASSETS (Continued)

Temporarily restricted net assets at January 31 are available for the following purposes:

	2015	2014
Paul Trapp - endowment	\$ 98,298	\$ 80,179
Honduran Education - endowment	50,197	46,097
Wilson Trust - endowment	307,484	295,669
Endowment related temporarily restricted net assets	<u>455,979</u>	<u>421,945</u>
Central Muskegon Ministries	12,688	12,688
New and renewing congregations	53,516	58,345
Seminary education assistance	1,782	2,135
Center for mission and ministry - building	258,383	261,827
Honduras project - church leaders education	1,633	1,633
Center for mission and ministry - program support	32,054	27,364
Ministry grant	5,155	5,155
Ionia mission	54,390	54,390
Coalitions/Multi-cultural ministries	17,665	17,665
ELCA - immersion mapp project	1,355	1,355
Muskegon Heights	49,994	49,994
Trinity Church, Saginaw	9,413	45,145
Making Us One - regional hubs	8,437	8,437
Making Us One - startup grants	6,870	6,870
Prince of Peace - seminary	34,122	33,808
Prince of Peace - lay ministry training program scholarship fund	28,741	28,741
Honduras health team Salud Para La Vida	10,244	6,397
Honduras water filter fund	6,436	7,796
Honduras trips	57	1,927
Honduras LaCanada kindergarten snack program	9,905	817
Papua New Guinea companion support	1,816	1,816
Outreach fund	1,156	225
Bishop's teaching fund	1,150	1,000
Interim minister's support fund	5,086	3,815
Other congregational support	4,655	6,460
Technology Fund	5,928	-
Bishop's Fund	150	-
Berttina W. Helmers trust	43,041	-
Total temporarily restricted net assets	<u>\$ 1,121,801</u>	<u>\$ 1,067,750</u>

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - NET ASSETS (Concluded)

Temporarily restricted net assets released as a result of satisfying their restricted purposes or by occurrence of other events specified by donors for the years ended January 31, 2015 and 2014 as presented on the statement of activities are comprised of the following:

	<u>2015</u>	<u>2014</u>
Paul Trapp endowment	\$ 13,640	\$ 12,700
Wilson Trust - endowment	13,160	13,273
Endowment related temporarily restricted net assets released	<u>26,800</u>	<u>25,973</u>
Seminary education assistance	374	11,500
Center for mission and ministry - building	247	257
Center for mission and ministry - program support	3,404	4,391
Prince of Peace - lay ministry training program scholarship fund	-	785
Trinity Church, Saginaw	36,150	69,546
Muskegon Heights	-	1,600
Honduras companion support	12,030	9,500
Other congregational support	2,500	2,640
New and renewing congregations	6,000	-
Bishop's teaching fund	275	-
Outreach fund	100	-
Total temporarily restricted net assets released	<u>\$ 87,880</u>	<u>\$ 126,192</u>

Permanently restricted net assets at January 31 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Paul Trapp - endowment	\$ 279,545	\$ 279,545
New and renewing congregations - endowment	98,998	98,998
Seminary education assistance - endowment	71,308	71,308
Grace Mission Fund - endowment	392,788	-
Total permanently restricted net assets	<u>\$ 842,639</u>	<u>\$ 449,851</u>

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - ENDOWMENTS

Endowments consist of funds established for a variety of purposes and may include both donor-restricted funds and funds internally designated to function as endowments. Restrictions are both permanent and temporary and assets associated with endowment funds are classified and reported based on the existence or absence of these restrictions.

The Synod has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as permitting the preservation of the historical value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, when directed by the gift instrument, the Synod classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the restricted purpose has been accomplished. The Synod considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

The Synods investment and spending practices for endowment assets attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets.

Investment earnings from donor-restricted endowment funds are classified as unrestricted income absent explicit donor stipulations to the contrary. In the event that the fair value of donor-restricted endowment funds falls below the level required to be maintained in perpetuity, the resulting deficiency is recorded as a reduction of unrestricted net assets. Deficiencies of this nature amounted to \$11,719 and \$19,769 at January 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs deemed prudent by the Synod.

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - ENDOWMENTS (Concluded)

Changes in endowment net assets are as follows:

	Unrestricted, designated	Unrestricted, undesignated	Total unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Endowment net assets at February 1, 2013	\$ 450,465	\$ (28,219)	\$ 422,246	\$ 383,506	\$ 399,257	\$ 1,205,009
Contributions	-	-	-	-	50,594	50,594
Investment return:						
Investment income	16,962	3,516	20,478	24,353	-	44,831
Net appreciation	27,901	4,934	32,835	40,059	-	72,894
Appropriation of endowment assets for expenditure	(16,962)	-	(16,962)	(25,973)	-	(42,935)
Endowment net assets at January 31, 2014	478,366	(19,769)	458,597	421,945	449,851	1,330,393
Contributions	-	-	-		392,788	392,788
Investment return:						
Investment income	18,328	5,981	24,309	26,378	-	50,687
Net appreciation	23,962	2,069	26,031	34,456	-	60,487
Appropriation of endowment assets for expenditure	(18,328)	-	(18,328)	(26,800)	-	(45,128)
Endowment net assets at January 31, 2015	\$ 502,328	\$ (11,719)	\$ 490,609	\$ 455,979	\$ 842,639	\$ 1,789,227

The composition of endowment net assets at January 31 were comprised of the following:

	2015	2014
Cash and cash equivalents	\$ 11,453	\$ 13,662
ELCA Endowment Fund Pooled Trust (Note 3)	1,777,774	1,316,731
Endowment net assets	\$ 1,789,227	\$ 1,330,393

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - FUNCTIONAL REPORTING

The Synod reports its expenses in the statement of activities in a manner that facilitates management's oversight. For purposes of functional reporting, expenses relating to supporting various program activities have been allocated as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 1,454,727	\$ 1,495,279
Support services	<u>162,674</u>	<u>90,676</u>
Total expenses	<u>\$ 1,617,401</u>	<u>\$ 1,585,955</u>

SUPPLEMENTARY INFORMATION

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
UNRESTRICTED BUDGET TO ACTUAL SCHEDULE
YEAR ENDED JANUARY 31, 2015**

	Budget	Actual	Favorable (unfavorable)
REVENUES AND SUPPORT:			
Mission support	\$ 1,471,366	\$ 1,368,893	\$ (102,473)
Center for mission and ministry	-	25,672	25,672
Committee revenue	20,000	14,275	(5,725)
Investment income - net	18,100	50,532	32,432
Grant revenue	20,000	23,609	3,609
Registration fees - leadership event	7,000	3,235	(3,765)
Registration fees - synod assembly	65,000	34,045	(30,955)
Synod congregational support	-	999	999
Synod-wide revenue	14,000	4,854	(9,146)
Other income	-	11,187	11,187
Transfers from closed congregations	-	20	20
Net assets released from restrictions	51,120	87,880	36,760
Total revenues and support	<u>1,666,586</u>	<u>1,625,201</u>	<u>(41,385)</u>
EXPENSES:			
Program services:			
Agency-organizational ministry support:			
ELCA church-wide support	735,683	684,447	51,236
Capital University and Wittenberg University	6,000	6,000	-
Living Water Ministries	45,000	45,000	-
Lutheran Social Services of Michigan	5,000	5,000	-
Michigan Lutheran Campus Ministry	60,000	60,000	-
Region 6 support (includes archives)	10,500	9,365	1,135
Trinity Lutheran Seminary	32,000	32,000	-
Total agency-organizational ministry support	<u>894,183</u>	<u>841,812</u>	<u>52,371</u>
Synod ministries:			
Closed congregation expense	-	36,150	(36,150)
Synod assembly	70,000	53,568	16,432
Synod council	9,000	3,449	5,551
Total synod ministries	<u>79,000</u>	<u>93,167</u>	<u>(14,167)</u>
Special programs:			
Paul Trapp endowment	-	13,640	(13,640)
Wilson trust	-	13,160	(13,160)
Seminarian education assistance	-	374	(374)
Center for Mission and Ministry	-	21,325	(21,325)
Honduras companion support	-	12,030	(12,030)
New and renewing congregations	-	6,000	(6,000)
Other congregational support	-	2,500	(2,500)
Total special programs	<u>-</u>	<u>69,029</u>	<u>(69,029)</u>
Program support:			
Christian education committee	3,500	-	3,500
Church in society committee	26,400	20,940	5,460
Communication committee	2,000	1,500	500
Financial support committee	6,400	7,162	(762)
Global mission committee	13,000	4,701	8,299

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
UNRESTRICTED BUDGET TO ACTUAL SCHEDULE
YEAR ENDED JANUARY 31, 2015**

	Budget	Actual	Favorable (unfavorable)
EXPENSES (Concluded):			
Program services (Concluded):			
Program support (Concluded):			
Ministry committee	\$ 47,000	\$ 37,960	\$ 9,040
Multicultural committee	6,400	17,931	(11,531)
Outreach committee	59,000	40,216	18,784
Witness/evangelism committee	2,000	1,638	362
Worship committee	1,500	677	823
Youth committee	5,000	2,216	2,784
Total program support	172,200	134,941	37,259
Total program services	1,145,383	1,138,949	6,434
Support services:			
Staff salaries and benefits:			
Salary - administrative support staff	85,000	77,928	7,072
Salary and housing - called staff	142,200	133,700	8,500
Salary - deployed staff	55,000	47,748	7,252
Social security allowance	16,693	16,319	374
Payroll taxes	10,710	9,361	1,349
Health insurance and retirement	64,000	77,662	(13,662)
Continuing education	3,000	516	2,484
Other insurance	5,000	2,851	2,149
Total staff salaries and benefits	381,603	366,085	15,518
Synod administration:			
Bishop's discretionary fund	4,000	2,345	1,655
Capital equipment purchases	10,000	-	10,000
Insurance - operating	8,000	10,671	(2,671)
Lease expense	16,800	16,800	-
Office equipment - maintenance	8,000	6,360	1,640
Office supplies	9,000	8,724	276
Postage	3,500	1,965	1,535
Professional fees	22,800	15,729	7,071
Telephone	9,500	10,908	(1,408)
Transition costs and moving expense	8,000	7,786	214
Travel - staff	23,000	34,144	(11,144)
Gain on disposal of asset	-	(16,606)	16,606
Website and network	5,000	2,179	2,821
Total synod administration	127,600	101,005	26,595
Depreciation expense	12,000	11,362	638
Total support services	521,203	478,452	42,751
Total expenses	1,666,586	1,617,401	49,185
CHANGE IN NET ASSETS	\$ -	\$ 7,800	\$ 7,800