

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

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

YEARS ENDED JANUARY 31, 2018 AND 2017

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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, 2018 and 2017, and the related statement of activities for the year then ended January 31, 2018, and the related statements of cash flows for the years then ended January 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended January 31, 2018 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 2017 financial statements, and our report dated April 19, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, 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 audits 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.

Maney Costeiran PC

April 18, 2018

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 359,249	\$ 416,643
Investments	2,397,631	2,117,144
Accounts receivable	54,421	57,617
Prepaid expenses	25,315	18,183
Property and equipment, less accumulated depreciation	71,152	34,704
TOTAL ASSETS	\$ 2,907,768	\$ 2,644,291
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 29,201	\$ 28,809
Assets held on behalf of others	45,000	45,000
Accrued payroll and related	15,076	12,969
Deferred revenue	3,163	8,703
Total liabilities	92,440	95,481
NET ASSETS:		
Unrestricted:		
Undesignated	187,819	214,475
Designated	622,877	562,115
Total unrestricted	810,696	776,590
Temporarily restricted	1,091,764	864,581
Permanently restricted	912,868	907,639
Total net assets	2,815,328	2,548,810
TOTAL LIABILITIES AND NET ASSETS	\$ 2,907,768	\$ 2,644,291

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 31, 2018
(with comparative totals for the year ended January 31, 2017)**

	2018			Total	2017 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
REVENUES AND SUPPORT:					
Mission support	\$ 1,387,698	\$ -	\$ -	\$ 1,387,698	\$ 1,349,004
Center for mission and ministry	8,284	1,192	-	9,476	29,559
Committee revenue	15,089	-	-	15,089	10,697
Investment income - net	97,399	226,689	-	324,088	208,710
Grant revenue	22,586	-	-	22,586	44,730
New and renewing congregations	-	15,253	5,229	20,482	3,302
Registration fees - leadership event	9,220	-	-	9,220	4,089
Registration fees - synod assembly	49,150	-	-	49,150	46,787
Seminary education assistance	-	35,454	-	35,454	421
Synod congregational support	750	10,161	-	10,911	20,532
Synod-wide revenue	12,514	26,307	-	38,821	48,225
Other income	-	3,857	-	3,857	5,699
Gain on disposal of assets	9,019	-	-	9,019	1,144
Transfers from closed congregations	-	-	-	-	1,057
Net assets released from restrictions	91,730	(91,730)	-	-	-
Total revenues and support	<u>1,703,439</u>	<u>227,183</u>	<u>5,229</u>	<u>1,935,851</u>	<u>1,773,956</u>
EXPENSES:					
Program services:					
Agency-organizational ministry support:					
ELCA church-wide support	695,447	-	-	695,447	674,502
Capital University and Wittenberg University	3,000	-	-	3,000	3,000
Living Water Ministries	40,000	-	-	40,000	40,000
Lutheran Social Services of Michigan	3,000	-	-	3,000	3,000
Region 6 support (includes archives)	4,847	-	-	4,847	9,256
Trinity Lutheran Seminary	25,000	-	-	25,000	25,000
Total agency-organizational ministry support	<u>771,294</u>	<u>-</u>	<u>-</u>	<u>771,294</u>	<u>754,758</u>
Synod ministries:					
Closed congregation expense	-	-	-	-	5,150
Synod assembly	43,364	-	-	43,364	47,119
Synod council	4,557	-	-	4,557	21,058
Total synod ministries	<u>47,921</u>	<u>-</u>	<u>-</u>	<u>47,921</u>	<u>73,327</u>
Special programs:					
Paul Trapp endowment	13,500	-	-	13,500	13,300
Wilson trust	10,900	-	-	10,900	-
Seminarian education assistance	14,628	-	-	14,628	-
Center for mission and ministry	12,286	-	-	12,286	19,712
Honduras companion support	11,189	-	-	11,189	15,939
Papua New Guinea program support	-	-	-	-	1,816
N. Ottawa County Mission	7,500	-	-	7,500	5,000
Honduran education fund	1,245	-	-	1,245	1,242
New and renewing congregations	15,137	-	-	15,137	23,949
Grace mission endowment fund	15,000	-	-	15,000	-
Other congregational support	-	-	-	-	1,000
Total special programs	<u>101,385</u>	<u>-</u>	<u>-</u>	<u>101,385</u>	<u>81,958</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, 2018
(with comparative totals for the year ended January 31, 2017)**

	2018			2017 Total
	Unrestricted	Temporarily restricted	Permanently restricted	
EXPENSES:				
Program services (Concluded):				
Program support:				
Publically engaged church committee	\$ 23,550	\$ -	\$ -	\$ 23,550
Faith formation table committee	110	-	-	301
Communication committee	1,668	-	-	2,252
Mission support table committee	205	-	-	2,035
Global missions committee	9,682	-	-	9,980
Ministry committee	35,544	-	-	26,546
Campus ministry committee	57,190	-	-	55,730
New and redeveloping congregations table committee	44,240	-	-	70,973
Multicultural ministry committee	74	-	-	349
Worship committee	562	-	-	173
Youth committee	1,849	-	-	2,646
Total program support	<u>174,674</u>	<u>-</u>	<u>-</u>	<u>191,750</u>
Total program services	<u>1,095,274</u>	<u>-</u>	<u>-</u>	<u>1,101,793</u>
Support services:				
Staff salaries and benefits:				
Salary - administrative support staff	55,961	-	-	45,137
Salary and housing - called staff	201,663	-	-	161,908
Salary - deployed staff	36,348	-	-	53,516
Social security allowance	21,047	-	-	17,966
Payroll taxes	7,458	-	-	7,932
Health insurance and retirement	94,990	-	-	79,629
Continuing education	1,088	-	-	1,253
Other insurance	6,915	-	-	4,213
Total staff salaries and benefits	<u>425,470</u>	<u>-</u>	<u>-</u>	<u>371,554</u>
Synod administration:				
Bishop's discretionary fund	2,926	-	-	1,926
Insurance - operating	12,477	-	-	11,164
Lease expense	16,800	-	-	16,800
Office equipment - maintenance	10,696	-	-	5,414
Office supplies	8,425	-	-	7,943
Postage	3,358	-	-	3,221
Professional fees	27,135	-	-	22,036
Telephone	8,248	-	-	7,806
Travel - staff	31,658	-	-	29,951
Website and network	4,578	-	-	1,843
Total synod administration	<u>126,301</u>	<u>-</u>	<u>-</u>	<u>108,104</u>
Depreciation expense	<u>22,288</u>	<u>-</u>	<u>-</u>	<u>21,523</u>
Total support services	<u>574,059</u>	<u>-</u>	<u>-</u>	<u>501,181</u>
Total expenses	<u>1,669,333</u>	<u>-</u>	<u>-</u>	<u>1,602,974</u>
CHANGE IN NET ASSETS	34,106	227,183	5,229	170,982
NET ASSETS, beginning of year	776,590	864,581	907,639	2,377,828
NET ASSETS, end of year	<u>\$ 810,696</u>	<u>\$ 1,091,764</u>	<u>\$ 912,868</u>	<u>\$ 2,548,810</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, 2018 AND 2017**

	2018	2017
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	\$ 266,518	\$ 170,982
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	22,288	21,523
Gain on disposal of assets	(9,019)	(1,144)
Realized and unrealized gain on investments	(249,403)	(138,298)
Accounts receivable	3,196	(24,331)
Prepaid expenses	(7,132)	(3,583)
Accounts payable	392	12,166
Accrued payroll and related	2,107	1,171
Assets held on behalf of others	-	45,000
Deferred revenue	(5,540)	(4,822)
Total adjustments	(243,111)	(92,318)
Net cash provided by operating activities	23,407	78,664
Cash flows from investing activities:		
Purchase of investments	(94,831)	(88,186)
Sale of investments	63,747	61,663
Purchase of property and equipment	(59,417)	(20,933)
Proceeds from sale of property and equipment	9,700	4,250
Net cash used by investing activities	(80,801)	(43,206)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,394)	35,458
CASH AND CASH EQUIVALENTS:		
Beginning of year	416,643	381,185
End of year	\$ 359,249	\$ 416,643

**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 including spiritual discernment and formation throughout the Synod.
- 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:

- Faith formation table 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.
- Publically engaged church 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.
- Mission support table committee - This committee oversees stewardship consultations with congregations each year. 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.
- Campus ministry committee - This committee shall be responsible for providing a comprehensive ministry with the communities of higher education in accordance with the policies of the Division for Education & Schools of the Evangelical Lutheran Church in America.

**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):

- New and redeveloping congregations table 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 ministry 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.
- Renewing congregations table 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 11. 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, 2018 and 2017, but not received by the Synod until after year end. 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, 2018 and 2017.

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. The Synod capitalizes property and equipment in excess of \$1,000. Cost of maintenance and repairs are charged to expense when incurred.

Assets held on behalf of others - Assets held on behalf of others consist of cash held in an agency capacity.

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 Synod 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 3 to 4 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 18, 2018, 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>2018</u>	<u>2017</u>
ELCA Mission Investment Fund:		
Money market fund	\$ 239,645	\$ 232,405
Certificates of deposit	45,561	45,000
ELCA Endowment Fund Pooled Trust	<u>2,112,425</u>	<u>1,839,739</u>
	<u>\$ 2,397,631</u>	<u>\$ 2,117,144</u>

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

	<u>2018</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Interest and dividends	\$ 1,852	\$ 1,032	\$ 2,884
ELCA pooled trust dividend	19,191	52,610	71,801
Realized/unrealized gain on investments - net	<u>76,356</u>	<u>173,047</u>	<u>249,403</u>
	<u>\$ 97,399</u>	<u>\$ 226,689</u>	<u>\$ 324,088</u>
	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Interest and dividends	\$ 1,609	\$ 661	\$ 2,270
ELCA pooled trust dividend	19,936	48,206	68,142
Realized/unrealized gain on investments - net	<u>84,240</u>	<u>54,058</u>	<u>138,298</u>
	<u>\$ 105,785</u>	<u>\$ 102,925</u>	<u>\$ 208,710</u>

Investment income is net of related investment expenses for the years ended January 31, 2018 and 2017.

**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, 2018 and 2017.

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, 2018 and 2017, 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.

Description	2018	2017
Level 2 measurement:		
ELCA Mission Investment Fund:		
Certificates of deposit	\$ 45,561	\$ 45,000
Level 3 measurement:		
ELCA Endowment Fund Pooled Trust	2,112,425	1,839,739
ELCA Mission Investment Fund:		
Money market funds at cost	239,645	232,405
Total	<u>\$ 2,397,631</u>	<u>\$ 2,117,144</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, 2016	\$ 1,676,321
ELCA pooled trust dividend	68,142
Realized/unrealized gain on investments - net	138,298
Purchases	18,641
Proceeds from sale	<u>(61,663)</u>
Balance January 31, 2017	1,839,739
ELCA pooled trust dividend	71,801
Realized/unrealized gain on investments - net	249,403
Purchases	15,229
Proceeds from sale	<u>(63,747)</u>
Balance January 31, 2018	<u><u>\$ 2,112,425</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

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

	Estimated useful life (in years)	2018	2017
Furniture and equipment	5	\$ 29,389	\$ 28,213
Vehicles	3	<u>76,887</u>	<u>56,373</u>
		106,276	84,586
Less accumulated depreciation		<u>35,124</u>	<u>49,882</u>
Net property and equipment		<u><u>\$ 71,152</u></u>	<u><u>\$ 34,704</u></u>
Depreciation expense		<u><u>\$ 22,288</u></u>	<u><u>\$ 21,523</u></u>

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

NOTE 6 - 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, 2018 and 2017 amounted to \$16,800 and \$16,800, respectively.

NOTE 7 - 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% of each participant's annual wages. Contributions made by the Synod amounted to \$28,933 and \$21,895 for the years ended January 31, 2018 and 2017, respectively.

NOTE 8 - 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 9 - NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Unrestricted, designated:		
Cash flow reserve	\$ 18,620	\$ 18,780
Automobile purchases	-	5,603
Severance pay - called staff	20,000	20,000
Shared risk deductible	5,000	5,000
New and renewing congregations endowment fund	11,770	11,770
Synod staff growth fund	5,539	5,539
Synod-designated endowment fund	<u>561,948</u>	<u>495,423</u>
Total unrestricted, designated net assets	622,877	562,115
Unrestricted, undesignated	<u>187,819</u>	<u>214,475</u>
Total unrestricted net assets	<u><u>\$ 810,696</u></u>	<u><u>\$ 776,590</u></u>

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

NOTE 9 - NET ASSETS (Continued)

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

	<u>2018</u>	<u>2017</u>
Paul Trapp endowment fund	\$ 145,034	\$ 94,168
Honduran education endowment fund	55,753	48,737
New and renewing congregations endowment fund	26,087	3,353
Seminary education assistance endowment fund	15,456	1,723
Grace mission endowment fund	82,753	31,812
Wilson trust endowment fund	344,168	304,446
Endowment related temporarily restricted net assets	<u>669,251</u>	<u>484,239</u>
New and renewing congregations fund	43,088	42,738
Seminary education assistance fund	66,402	40,136
Honduras project - church leaders education fund	133	133
Center for mission and ministry - program support fund	22,202	22,684
Coalitions / Multi-cultural ministries fund	67,659	67,659
Trinity Church, Saginaw fund	-	4,114
Prince of Peace - equipping leaders for mission and ministry scholarship fund	28,741	28,741
Honduras health team Salud Para La Vida fund	20,301	16,387
Honduras water filter fund	659	-
Honduras three P's fund	4,465	6,465
Honduras women's health program fund	4	125
Honduras LaCanada kindergarten snack program fund	6,092	8,492
Outreach fund	9,517	5,003
Bishop's teaching fund	5,328	6,305
Open hearts / open church fund	-	69
Interim minister's support fund	5,086	5,086
Other congregational support fund	320	1,070
Bishop's fund	2,628	720
Muskegon cooperative ministry fund	25,000	25,000
Kent City targeted giving fund	3,750	-
Synod staff growth fund	77,599	67,190
Synod disaster fund	13,262	7,284
Bertina W. Helmers trust fund	20,277	24,941
Total temporarily restricted net assets	<u><u>\$ 1,091,764</u></u>	<u><u>\$ 864,581</u></u>

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

NOTE 9 - NET ASSETS (Continued)

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, 2018 and 2017 as presented on the statement of activities are comprised of the following:

	2018	2017
Paul Trapp endowment fund	\$ 13,500	\$ 13,300
Honduran education endowment fund	1,245	1,242
Grace mission endowment fund	15,000	-
Wilson trust endowment fund	10,900	-
Endowment related temporarily restricted net assets released	40,645	14,542
New and renewing congregations fund	10,137	23,949
Seminary education assistance fund	14,628	-
Center for mission and ministry - building fund	-	5,000
Center for mission and ministry - program support fund	1,852	3,066
Mamrelund, Kent City targeted fund	-	2,500
Trinity Church, Saginaw fund	4,114	5,150
Central Muskegon ministries fund	-	12,688
ELCA - immersion mapp project fund	-	1,355
Outreach fund	1,000	1,800
Open hearts/open church fund	69	431
Honduras companion support fund	10,110	15,171
Other congregational support fund	750	1,000
Papua New Guinea companion support fund	-	1,816
Assistant to the Bishop fund	-	20,000
Bishop's teaching fund	977	-
Bishop's fund	1,948	1,926
Berttina W. Helmers trust fund	5,500	20,000
Total temporarily restricted net assets released	\$ 91,730	\$ 130,394

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

NOTE 9 - NET ASSETS (Concluded)

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

	2018	2017
Paul Trapp endowment fund	\$ 279,545	\$ 279,545
New and renewing congregations endowment fund	109,227	103,998
Seminary education assistance endowment fund	76,308	76,308
Grace mission endowment fund	447,788	447,788
Total permanently restricted net assets	\$ 912,868	\$ 907,639

NOTE 10 - 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 Synod 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 Synod.
7. The investment policies of the Synod.

The Synod's 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.

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

NOTE 10 - ENDOWMENTS (Continued)

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 \$0 and \$9,831 at January 31, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs deemed prudent by the Synod.

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, 2016	\$ 457,825	\$ (42,549)	\$ 415,276	\$ 381,189	\$ 907,639	\$ 1,704,104
Investment return:						
Investment income	18,532	1,404	19,936	48,206	-	68,142
Net depreciation	37,598	46,642	84,240	54,058	-	138,298
Transfer - reclassify donor investments	-	(15,328)	(15,328)	15,328	-	-
Appropriation of endowment assets for expenditure	(18,532)	-	(18,532)	(14,542)	-	(33,074)
Endowment net assets at January 31, 2017	495,423	(9,831)	485,592	484,239	907,639	1,877,470
Contributions	-	-	-	-	5,229	5,229
Investment return:						
Investment income	19,191	-	19,191	52,610	-	71,801
Net appreciation	66,525	9,831	76,356	173,047	-	249,403
Appropriation of endowment assets for expenditure	(19,191)	-	(19,191)	(40,645)	-	(59,836)
Endowment net assets at January 31, 2018	<u>\$ 561,948</u>	<u>\$ -</u>	<u>\$ 561,948</u>	<u>\$ 669,251</u>	<u>\$ 912,868</u>	<u>\$ 2,144,067</u>

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

NOTE 10 - ENDOWMENTS (Concluded)

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

	2018	2017
Cash and cash equivalents	\$ 31,642	\$ 37,731
ELCA Endowment Fund Pooled Trust (Note 3)	2,112,425	1,839,739
Endowment net assets	<u>\$ 2,144,067</u>	<u>\$ 1,877,470</u>

The composition of endowment net assets at January 31, 2018, were comprised of the following:

	Unrestricted, designated	Unrestricted, undesignated	Total unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Synod-designated fund	\$ 561,948	\$ -	\$ 561,948	\$ -	\$ -	\$ 561,948
Paul Trapp fund	-	-	-	145,034	279,545	424,579
New and renewing congregations fund	-	-	-	26,087	109,227	135,314
Seminary education assistance fund	-	-	-	15,456	76,308	91,764
Honduran education fund	-	-	-	55,753	-	55,753
Wilson trust fund	-	-	-	344,168	-	344,168
Grace mission fund	-	-	-	82,753	447,788	530,541
	<u>\$ 561,948</u>	<u>\$ -</u>	<u>\$ 561,948</u>	<u>\$ 669,251</u>	<u>\$ 912,868</u>	<u>\$ 2,144,067</u>

The composition of endowment net assets at January 31, 2017, were comprised of the following:

	Unrestricted, designated	Unrestricted, undesignated	Total unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Synod-designated fund	\$ 495,423	\$ -	\$ 495,423	\$ -	\$ -	\$ 495,423
Paul Trapp fund	-	-	-	94,168	279,545	373,713
New and renewing congregations fund	-	-	-	3,353	103,998	107,351
Seminary education assistance fund	-	-	-	1,723	76,308	78,031
Honduran education fund	-	-	-	48,737	-	48,737
Wilson trust fund	-	-	-	304,446	-	304,446
Grace mission fund	-	(9,831)	(9,831)	31,812	447,788	469,769
	<u>\$ 495,423</u>	<u>\$ (9,831)</u>	<u>\$ 485,592</u>	<u>\$ 484,239</u>	<u>\$ 907,639</u>	<u>\$ 1,877,470</u>

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

NOTE 11 - 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>2018</u>	<u>2017</u>
Program services	\$ 1,485,634	\$ 1,432,572
Support services	<u>183,699</u>	<u>170,402</u>
Total expenses	<u><u>\$ 1,669,333</u></u>	<u><u>\$ 1,602,974</u></u>

SUPPLEMENTARY INFORMATION

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
UNRESTRICTED BUDGET TO ACTUAL SCHEDULE
YEAR ENDED JANUARY 31, 2018**

	Budget	Actual	Favorable (unfavorable)
REVENUES AND SUPPORT:			
Mission support	\$ 1,671,062	\$ 1,387,698	\$ (283,364)
Center for mission and ministry	-	8,284	8,284
Committee revenue	22,000	15,089	(6,911)
Investment income - net	19,150	97,399	78,249
Grant revenue	20,000	22,586	2,586
Registration fees - leadership event	8,000	9,220	1,220
Registration fees - synod assembly	60,000	49,150	(10,850)
Synod congregational support	-	750	750
Synod-wide revenue	6,000	12,514	6,514
Other income	5,000	-	(5,000)
Gain on disposal of assets	-	9,019	9,019
Net assets released from restrictions	67,000	91,730	24,730
Total revenues and support	<u>1,878,212</u>	<u>1,703,439</u>	<u>(174,773)</u>
EXPENSES:			
Program services:			
Agency-organizational ministry support:			
ELCA church-wide support	835,531	695,447	140,084
Capital University and Wittenberg University	3,000	3,000	-
Living Water Ministries	40,000	40,000	-
Lutheran Social Services of Michigan	3,000	3,000	-
Region 6 support (includes archives)	9,000	4,847	4,153
Trinity Lutheran Seminary	25,000	25,000	-
Total agency-organizational ministry support	<u>915,531</u>	<u>771,294</u>	<u>144,237</u>
Synod ministries:			
Synod assembly	65,000	43,364	21,636
Synod council	9,000	4,557	4,443
Total synod ministries	<u>74,000</u>	<u>47,921</u>	<u>26,079</u>
Special programs:			
Paul Trapp endowment	-	13,500	(13,500)
Wilson trust	-	10,900	(10,900)
Seminarian education assistance	-	14,628	(14,628)
Center for mission and ministry	-	12,286	(12,286)
Honduras companion support	-	11,189	(11,189)
N. Ottawa County Mission	-	7,500	(7,500)
Honduran education fund	-	1,245	(1,245)
New and renewing congregations	-	15,137	(15,137)
Grace mission endowment fund	-	15,000	(15,000)
Total special programs	<u>-</u>	<u>101,385</u>	<u>(101,385)</u>
Program support:			
Faith formation table committee	1,500	110	1,390
Publically engaged church committee	19,000	23,550	(4,550)
Communication committee	2,000	-	2,000
Mission support table committee	4,000	205	3,795

**NORTH/WEST LOWER MICHIGAN SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
UNRESTRICTED BUDGET TO ACTUAL SCHEDULE
YEAR ENDED JANUARY 31, 2018**

	Budget	Actual	Favorable (unfavorable)
EXPENSES (Concluded):			
Program services (Concluded):			
Program support (Concluded):			
Global missions committee	\$ 10,000	\$ 9,682	\$ 318
Ministry committee	38,000	35,544	2,456
Campus ministry committee	45,000	57,190	(12,190)
Multicultural ministry committee	2,000	74	1,926
Communication committee	-	1,668	(1,668)
New and redeveloping congregations table committee	54,000	44,240	9,760
Worship committee	1,500	562	938
Youth committee	1,500	1,849	(349)
Total program support	<u>178,500</u>	<u>174,674</u>	<u>3,826</u>
Total program services	<u>1,168,031</u>	<u>1,095,274</u>	<u>72,757</u>
Support services:			
Staff salaries and benefits:			
Salary - administrative support staff	82,528	55,961	26,567
Salary and housing - called staff	228,495	201,663	26,832
Salary - deployed staff	75,773	36,348	39,425
Social security allowance	26,505	21,047	5,458
Payroll taxes	12,258	7,458	4,800
Health insurance and retirement	118,888	94,990	23,898
Continuing education	3,275	1,088	2,187
Other insurance	5,459	6,915	(1,456)
Total staff salaries and benefits	<u>553,181</u>	<u>425,470</u>	<u>127,711</u>
Synod administration:			
Bishop's discretionary fund	4,000	2,926	1,074
Insurance - operating	9,000	12,477	(3,477)
Lease expense	16,800	16,800	-
Office equipment - maintenance	6,000	10,696	(4,696)
Office supplies	9,000	8,425	575
Postage	3,000	3,358	(358)
Professional fees	23,000	27,135	(4,135)
Telephone	9,000	8,248	752
Travel - staff	36,000	31,658	4,342
Website and network	4,200	4,578	(378)
Total synod administration	<u>120,000</u>	<u>126,301</u>	<u>(6,301)</u>
Depreciation expense	<u>14,000</u>	<u>22,288</u>	<u>(8,288)</u>
Total support services	<u>687,181</u>	<u>574,059</u>	<u>113,122</u>
Total expenses	<u>1,855,212</u>	<u>1,669,333</u>	<u>185,879</u>
CHANGE IN NET ASSETS	<u>\$ 23,000</u>	<u>\$ 34,106</u>	<u>\$ 11,106</u>