



**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JANUARY 31, 2021**

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
JANUARY 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Synod Council of Northwestern Pennsylvania Synod  
of the Evangelical Lutheran Church in America

### Report on the Financial Statements

We have audited the accompanying financial statements of Northwestern Pennsylvania Synod of the Evangelical Lutheran Church in America (a nonprofit organization), which comprise the statement of financial position as of January 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 of 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.

### **Basis for Qualified Opinion**

As explained in Note B to the financial statements, land, buildings and equipment capital expenditures have been capitalized on the statement of financial position but are not depreciated over their estimated useful lives. Accounting principles generally accepted in the United States of America require that all capital expenditures should be capitalized and depreciated over their estimated useful lives. The effects on the accompanying financial statements of the preceding practices are not readily determinable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Northwestern Pennsylvania Synod of the Evangelical Lutheran Church in America as of January 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McGill, Power, Bell & Associates, LLP*

McGill, Power, Bell & Associates, LLP

Franklin, Pennsylvania  
July 13, 2021

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
STATEMENT OF FINANCIAL POSITION  
JANUARY 31, 2021**

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**ASSETS**

Cash	\$ 403,920
Certificates of deposit	1,043,910
Assets held in trust	458,864
Restricted cash	21,600
Land, buildings and equipment	<u>135,661</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 2,063,955</u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 56,947
Accrued expenses	7,810
Funds held as fiduciary	58,611
Funds held as fiduciary - Region 8	<u>76,517</u>

<b>TOTAL LIABILITIES</b>	<b><u>199,885</u></b>
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**NET ASSETS**

Without donor restrictions	1,519,772
With donor restrictions	<u>344,298</u>

<b>TOTAL NET ASSETS</b>	<b><u>1,864,070</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,063,955</u></b>
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See accompanying notes to financial statements.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions from congregations	\$ 654,454	\$ -	\$ 654,454
DEM support	60,208	-	60,208
Interest income	43,463	-	43,463
Other contributions	11,538	-	11,538
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>769,663</b>	<b>-</b>	<b>769,663</b>
<b>EXPENSES</b>			
<b>PROGRAM EXPENSES</b>			
Benevolence			
Mission support	351,000	-	351,000
Grant agencies and institutions	109,651	-	109,651
Synodical committees	17,797	-	17,797
Other congregation expenses	50,208	-	50,208
	<u>528,656</u>	<u>-</u>	<u>528,656</u>
Bishop and Assistant Bishops for Leadership and Mission			
Payroll and related costs	70,449	-	70,449
Allowances and benefits	9,154	-	9,154
Continuing education and travel	4,795	-	4,795
	<u>84,398</u>	<u>-</u>	<u>84,398</u>
<b>TOTAL PROGRAM EXPENSES</b>	<b>613,054</b>	<b>-</b>	<b>613,054</b>
<b>SUPPORTING SERVICES</b>			
Management and general			
Payroll and related costs	25,424	-	25,424
Allowances and benefits	2,997	-	2,997
Accounting	6,835	-	6,835
Legal and professional	7,300	-	7,300
Insurance	4,420	-	4,420
Occupancy	14,402	-	14,402
Office expenses	17,623	-	17,623
<b>TOTAL SUPPORTING SERVICES</b>	<b>79,001</b>	<b>-</b>	<b>79,001</b>
<b>TOTAL EXPENSES</b>	<b>692,055</b>	<b>-</b>	<b>692,055</b>
<b>OTHER INCOME (EXPENSES)</b>			
Unrealized gain on investment	27,198	-	27,198
Change in net assets	104,806	-	104,806
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,414,966</b>	<b>344,298</b>	<b>1,759,264</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,519,772</b>	<b>\$ 344,298</b>	<b>\$ 1,864,070</b>

See accompanying notes to financial statements

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JANUARY 31, 2021**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 104,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net unrealized gain on investment	(27,198)
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	1,500
Increase (decrease) in accounts payable	14,710
Increase (decrease) in accrued expenses	<u>1,518</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>95,336</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of assets held in trust, net	(87,815)
Increase (decrease) in funds held as fiduciary	(1,365)
Increase (decrease) in funds held as fiduciary - Region 8	<u>9,660</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(79,520)</u>
<b>NET INCREASE IN CASH</b>	15,816
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<u>409,704</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<u><u>\$ 425,520</u></u>

See accompanying notes to financial statements.

# NORTHWESTERN PENNSYLVANIA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A – ENTITY

The Northwestern Pennsylvania Synod of the Evangelical Lutheran Church in America (The Synod) was formed on January 1, 1988 by the merger between the three national Lutheran Churches in America. The Synod is organized and operated exclusively for religious purposes, and specifically, to promote the Christian religion according to the tenets of faith set forth in the Constitution of the Evangelical Lutheran Church in America (ELCA).

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Synod has adopted significant accounting policies as follows:

#### *Basis of Accounting*

The Synod maintains its accounting records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when they are earned and expenses when they are incurred. For financial statement reporting purposes, land, buildings and equipment are capitalized on the statement of financial position but are not depreciated over their estimated useful lives. Generally accepted accounting principles require all capital expenditures be capitalized and depreciated over their estimated useful lives. The effects on the accompanying financial statements of the preceding practices are not readily determinable.

#### *Financial Statement Presentation*

The Synod is required to report information regarding its financial position and activities according to net assets. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Synod Council has designated, from net assets without donor restrictions, net assets for specific purposes.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Synod reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or expenditures accomplish the purpose restriction) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Cash*

For purposes of the statement of cash flows, cash includes time deposits and all highly liquid debt instruments with original maturities of three months or less.

*Concentration of Credit Risk*

The Synod maintains cash deposits in a financial institution located in Western Pennsylvania. The deposits did not exceed the Federal Deposit Insurance Corporation (FDIC) limit for the year ended January 31, 2021

The Synod also maintains cash accounts and certificates of deposits with the Mission Investment Fund of the Evangelical Lutheran Church in America, an investment firm whose deposits are not insured by the FDIC, in the amount of \$1,373,033 for the year ended January 31, 2021. However, no losses occurred due to this situation.

*Receivables*

Receivables are considered to be fully collectible based on the Synod's history of collections; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. This policy should not result in a significant difference with a write-off policy in accordance with accounting principles generally accepted in the United States of America.

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains from investments restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Synod's investments consist of assets held in trust (Note D).

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*Land, Buildings and Equipment*

Purchased land, buildings and equipment are recorded at cost, while donated land, buildings and equipment are valued at market value as of the date donation. The Synod records capital asset additions over \$1,000 at cost, or if donated, at fair value on the date of donation. No depreciation is recognized over the estimated useful lives of the individual assets. Maintenance and repairs are charged to expense as incurred and replacements are capitalized.

*Fair Value of Financial Instruments*

The carrying amounts of financial instruments, including cash, certificates of deposit, assets held in trust, receivables, accounts payable, and accrued expenses approximate their fair market value due to the short-term maturities of those instruments.

*Revenue Recognition*

The Synod reports contributions received as increases in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

*Functional Allocation of Expenses*

The statement of activities present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of time and effort.

*Donated Services*

A substantial number of volunteers have donated significant amounts of their time in the Synod's program services. However, since no objective basis exists for recording and assigning values to these services, they are not reflected in the accompanying financial statements.

*Income Tax Status*

The Synod is a nonprofit religious organization and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for taxes is made in these financial statements.

*Use of Estimates*

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*Leases-FASB Accounting Standards Codification – consensus of the FASB Emerging Issues Task Force (Topic 842) (ASU 2016-02)*

Effective for fiscal year beginning after December 15, 2021, this update requires that assets and liabilities arising under leases are recognized in the statement of position. A lessee will be required to recognize in the statement of position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous generally accepted accounting principles. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. This ASU basically requires that all leases with a term of greater than 12 months be capitalized, meaning that the entity records an asset and a corresponding liability for the future lease payments. Under the current rules, leases have to be analyzed to determine whether they are “capital” (and treated as just described) or “operating” (nothing gets recorded on the statement of position and payments are treated as rent expense). Leases existing as of the effective date of this ASU will not be grandfathered out of its provisions. Therefore, those leases will require careful analysis to determine capitalizable amounts. This accounting standard update will apply to the fiscal year beginning February 1, 2022.

*Review of Subsequent Events*

The Synod has evaluated subsequent events for potential recognition and/or disclosure through the date the financial statements were available for issuance which was July 13, 2021.

**NOTE C – INFORMATION ABOUT LIQUIDITY**

The Synod has \$862,784 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$403,920 and assets held in trust of \$458,864. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Synod sets a goal of having financial assets on hand to meet 90 days of normal operating expenses as well as sufficient funds to be able to disburse approved grants on a timely basis. As part of its liquidity management, the Synod has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Additionally, the Synod invests in certificates of deposits, which it could draw upon in the event of an unanticipated liquidity need. Certificates of deposits without donor restrictions were \$812,100 at January 31, 2021.

**NOTE D – ASSETS HELD IN TRUST**

The Synod’s assets held in trust are administered by the Evangelical Lutheran Church in America (ELCA). The ELCA Endowment Fund Pooled Trust – Fund A is a collective long-term investment stated at fair market value with the activity included in the statement of activities.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE D – ASSETS HELD IN TRUST, CONTINUED**

Distributions support the mission of the Synod. Pooled funds are funds from many individual investors that are aggregated for the purposes of investment. Assets held in trust are stated at fair value and consist of the following at January 31, 2021:

Balance – January 31, 2020	\$ 343,851
Increases	115,013
Decreases	<u>-</u>
Balance – January 31, 2021	<u>\$458,864</u>

**NOTE E – FAIR VALUE MEASUREMENTS**

The Synod measures fair value in accordance with Financial Accounting Standards Board (FASB), *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*. The codification provides a three-level hierarchy that prioritizes the inputs of the valuation techniques used to measure fair value. Inputs are defined as assumptions used by market participants while pricing the asset or liability, including assumptions about risks. The following is a summary of the three levels, with level one having the highest priority and level three having the lowest priority:

Level 1

Inputs to the valuation technique generally are quoted prices in active markets for identical assets or liabilities. The Synod has the ability to access these assets or liabilities at the measurement date.

Level 2

Inputs to the valuation technique generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3

Inputs are unobservable and generally allow for situations in which there is little, if any, market activity. The inputs are based on the Synod's own assumptions about the factors that market participants would use in pricing the asset or liability.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE E – FAIR VALUE MEASUREMENTS, CONTINUED**

The following tables set forth by level, within the fair value hierarchy, the Synod’s assets at fair value as of January 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets held in trust as of January 31, 2021	\$ -	\$ -	<u>\$458,864</u>

The valuation techniques used for the assets measured at fair value are as follows:

*Assets Held in Trust by Others*

The assets are neither in the possession of, nor under the control of the Synod. The assets are valued at their estimated fair market value and are reported to the Synod by the Trustees that hold the assets.

The Synod has made no changes in the methodology of the valuation techniques.

**NOTE F – ENDOWMENT FUND**

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. In Pennsylvania, those laws are found in 15 Pa C.S. 5548.

*Interpretation of Relevant Law*

ASC 958-205 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC 958-205 also improves disclosure about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Pennsylvania has not adopted UPMIFA. The Commonwealth of Pennsylvania has enacted Act 141 (the "Act"). The Act allows the Synod to elect a "total return investment policy." Income is defined by the Act to mean a fixed percentage of the "value of the assets" held by the Synod, not less than 2% or more than 7%. The "value of the assets" for the purposes of the Act, is the average fair market value of the assets over a three-year period (or the average value of the assets over any shorter period in the cases of assets held less than three years). The Synod has a total return investment policy with a spending policy of 3.75% of the three-year average of the funds. This spending policy determines the funds available for grant making and administrative expenses.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE F – ENDOWMENT FUND, CONTINUED**

*Investment Return Objectives, Risk Parameters and Strategies*

The Synod has adopted investment spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets over the long-term and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing operations. Under this policy, as approved by the Synod Council, the Synod relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a diverse mix of asset classes which produces the highest expected investment return within a prudent risk framework. The Synod expects its endowment funds, over time, to provide an average real rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

The composition of the endowment fund with donor restrictions was as follows at January 31, 2021:

Donor-restricted endowment	<u>\$253,410</u>
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Changes in endowment net assets with donor restrictions for the year ended January 31, 2021 was as follows:

Endowment net assets, beginning of year	\$253,410
Investment income	6,719
Appropriation of endowment assets for expenditure	<u>( 6,719)</u>
Endowment net assets, end of year	<u>\$253,410</u>

**NOTE G – LAND, BUILDINGS AND EQUIPMENT**

Land, building and equipment consist of the following at January 31, 2021:

Capital assets not being depreciated:	
Buildings	\$ 90,442
Vehicles	28,000
Equipment	5,112
Furniture and fixtures	<u>12,107</u>
Total land, buildings and equipment	<u>\$135,661</u>

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE H – FUNDS HELD AS FIDUCIARY**

In addition to the support for the synodical budget, congregations may send amounts restricted for specific ELCA or synodical ministries. Since the Synod acts only in a fiduciary capacity for the receipt and disbursements of these moneys, these contributions are not recorded as revenue or expenses of the Synod. Funds held for distribution amounted to \$58,611 at January 31, 2021.

The Synod also has a fiduciary duty over the funds for Region 8 as shown on the statement of financial position. At January 31, 2021 the total amount was \$76,517, which included \$16,442 that represented funds held for the annual assembly meeting which was delayed due to COVID-19.

**NOTE I – NET ASSETS**

Net assets with donor restrictions were as follows for the year ended January 31, 2021:

Subject to expenditure for specified purpose:	
Anna E. Brown Estate	\$ 52,911
Samuel W. and Mary G. King Scholarship Fund	10,000
Edith H. Lance Estate – Mission Programs	10,000
Lutheran Men in Mission Scholarship Fund	<u>17,977</u>
	90,888
Subject to restriction in perpetuity:	
Endowment funds	<u>253,410</u>
Total net assets with donor restrictions	<u>\$344,298</u>

As a result of the merger mentioned in Note A, the predecessors' synod of the Lutheran Church in America distributed its assets to the Northwestern Pennsylvania Synod and two other newly formed synods on the basis of total baptized members on December 31, 1985. Synod Assembly authorized the Synod's share of the distribution, \$251,810, to be invested in ELCA Loan Fund Certificates and adopted the restrictions listed below:

- The interest income is to be used for loans and/or grants for outreach and witness ministries and for special grants for small congregations, ordained ministers, and associates in ministry.
- The interest income cannot be used for current operating expenses, except in times of emergency

An additional \$1,600 was transferred from the predecessor synod.

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE I – NET ASSETS, CONTINUED**

Net assets without donor restrictions for the year ended January 31, 2021 are as follows:

Undesignated	\$1,346,947
Invested in land, buildings and equipment	135,661
Synod Council designated	<u>37,164</u>
 Total net assets without donor restrictions	 <u>\$1,519,772</u>

**NOTE J – COUNCIL DESIGNATED NET ASSETS**

The Synod has designated a portion of the net assets without donor restrictions to be used for scholarships, aid for seminarians and a future vehicle acquisition. The following is a summary of the board designated net assets at January 31, 2021:

Reserved to Institute for Ministry Education (IME)	\$ 6,269
Reserved for future auto acquisition	19,122
Reserved for Lutheran youth organizations	11,037
Reserved for Green Team	<u>736</u>
	<u>\$37,164</u>

**NOTE K – RETIREMENT PLAN**

The Synod sponsors a pension plan administered by the ELCA. Presently, contributions are fixed at 12% of a participant’s salary, housing allowance and FICA allowance. Total pension expense was \$9,597 for the year ended January 31, 2021.

**NOTE L – OPERATING LEASE**

The Synod has entered into a multi-year operating lease for office equipment. The lease expires May 2022. The lease carries with it a service and supply agreement for usage of the machine along with its rental. The total rental expense for the year ended January 31, 2021 was \$4,632.

The future minimum long-term operating lease payments are as follows:

Year ending January 31, 2022	\$3,888
Year ending January 31, 2023	<u>1,296</u>
	<u>\$5,184</u>

**NORTHWESTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE M – REVENUE CONCENTRATION**

The Synod received for the year ended January 31, 2021, approximately 86.1% of its revenue from contributions from congregations.

**NOTE N – RISK MANAGEMENT**

The Synod is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Synod carries commercial insurance for all types of loss, including workers' compensation. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year of the three prior years.

**NOTE O – ECONOMIC UNCERTAINTIES**

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings of businesses as well as places of worship and related financial challenges. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and the long-term financial impact on charitable giving as well as the benevolence and service needs. Therefore, the Synod expects this matter to negatively impact its financial position both in revenues and expenses.