

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JANUARY 31, 2024 AND 2023

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

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INDEPENDENT AUDITORS' REPORT

**To the Synod Assembly of the
New Jersey Synod of the Evangelical Lutheran Church in America**

Opinion

We have audited the accompanying financial statements of New Jersey Synod of the Evangelical Lutheran Church in America ("Synod") (a nonprofit organization), which comprise the statements of financial position as of January 31, 2024 and 2023 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of January 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

**To the Synod Assembly of the
New Jersey Synod of the Evangelical Lutheran Church in America**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Synod's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Synod's ability to continue as a going concern for a reasonable period of time.

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

**Philadelphia, Pennsylvania
April 25, 2024**

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

STATEMENT OF FINANCIAL POSITION

January 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,641,943	\$ 612,608	\$ 4,254,551
Accounts receivable	956	-	956
Loans receivable, current	55,569	-	55,569
Mortgage receivable, current	6,000	-	6,000
Prepaid expenses	<u>60,389</u>	<u>-</u>	<u>60,389</u>
Total current assets	<u>3,764,857</u>	<u>612,608</u>	<u>4,377,465</u>
Noncurrent assets			
Restricted cash	67,939	-	67,939
Investments	7,411,448	5,484,840	12,896,288
Loans receivable, net of current portion	410,221	-	410,221
Mortgages receivable, net of current portion	34,755	-	34,755
Synod house property and equipment, net	350,513	-	350,513
Land and property held by the Synod	1,761,809	-	1,761,809
Equity in Cross Roads Outdoor Ministries	1,960,666	-	1,960,666
Other assets	<u>15,495</u>	<u>-</u>	<u>15,495</u>
Total noncurrent assets	<u>12,012,846</u>	<u>5,484,840</u>	<u>17,497,686</u>
Total assets	<u>\$ 15,777,703</u>	<u>\$ 6,097,448</u>	<u>\$ 21,875,151</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accrued expenses	<u>\$ 1,396,371</u>	<u>\$ -</u>	<u>\$ 1,396,371</u>
Total current liabilities	<u>1,396,371</u>	<u>-</u>	<u>1,396,371</u>
Net assets			
Without donor restrictions			
Undesignated	4,010,974	-	4,010,974
Synod Council designated - endowments	6,297,370	-	6,297,370
Cross Roads Outdoor Ministries	1,960,666	-	1,960,666
Net investment in property, plant and equipment	<u>2,112,322</u>	<u>-</u>	<u>2,112,322</u>
Total net assets without donor restrictions	<u>14,381,332</u>	<u>-</u>	<u>14,381,332</u>
With donor restrictions			
Purpose restricted	-	773,402	773,402
Purpose restricted - endowments	-	2,045,079	2,045,079
Perpetual in nature - endowments	<u>-</u>	<u>3,278,967</u>	<u>3,278,967</u>
Total net assets with donor restrictions	<u>-</u>	<u>6,097,448</u>	<u>6,097,448</u>
Total net assets	<u>14,381,332</u>	<u>6,097,448</u>	<u>20,478,780</u>
Total liabilities and net assets	<u>\$ 15,777,703</u>	<u>\$ 6,097,448</u>	<u>\$ 21,875,151</u>

**NJ SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

STATEMENT OF FINANCIAL POSITION

January 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,320,359	\$ 585,108	\$ 2,905,467
Grant receivable	52,502	-	52,502
Loans receivable, current	50,360	-	50,360
Mortgage receivable, current	5,105	-	5,105
Prepaid expenses	<u>19,953</u>	<u>-</u>	<u>19,953</u>
Total current assets	<u>2,448,279</u>	<u>585,108</u>	<u>3,033,387</u>
Noncurrent assets			
Restricted cash	72,691	-	72,691
Investments	5,730,047	4,825,181	10,555,228
Loans receivable, net of current portion	500,201	-	500,201
Mortgages receivable, net of current portion	41,650	-	41,650
Synod house property and equipment, net	367,001	-	367,001
Land and property held by the Synod	1,738,110	-	1,738,110
Equity in Cross Roads Outdoor Ministries	1,802,606	-	1,802,606
Other assets	<u>14,834</u>	<u>-</u>	<u>14,834</u>
Total noncurrent assets	<u>10,267,140</u>	<u>4,825,181</u>	<u>15,092,321</u>
Total assets	<u>\$ 12,715,419</u>	<u>\$ 5,410,289</u>	<u>\$ 18,125,708</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accrued expenses	\$ 85,000	\$ -	\$ 85,000
Total current liabilities	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Net assets			
Without donor restrictions			
Undesignated	3,523,145	-	3,523,145
Synod Council designated - endowments	5,199,557	-	5,199,557
Cross Roads Outdoor Ministries	1,802,606	-	1,802,606
Net investment in property, plant and equipment	<u>2,105,111</u>	<u>-</u>	<u>2,105,111</u>
Total net assets without donor restrictions	<u>12,630,419</u>	<u>-</u>	<u>12,630,419</u>
With donor restrictions			
Purpose restricted	-	700,224	700,224
Purpose restricted - endowments	-	1,436,369	1,436,369
Perpetual in nature - endowments	<u>-</u>	<u>3,273,696</u>	<u>3,273,696</u>
Total net assets with donor restrictions	<u>-</u>	<u>5,410,289</u>	<u>5,410,289</u>
Total net assets	<u>12,630,419</u>	<u>5,410,289</u>	<u>18,040,708</u>
Total liabilities and net assets	<u>\$ 12,715,419</u>	<u>\$ 5,410,289</u>	<u>\$ 18,125,708</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended January 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Support from congregations	\$ 1,661,627	\$ -	\$ 1,661,627
Other contributions and gifts	1,350,311	176,339	1,526,650
Grant revenue	144,773	-	144,773
Rental income	42,000	-	42,000
Investment income, net	140,451	69,955	210,406
Gain from sale of distressed church property	2,872,940	-	2,872,940
Assembly income	47,300	-	47,300
Donor restricted net assets released from restriction	<u>255,451</u>	<u>(255,451)</u>	<u>-</u>
Total revenues and other support	<u>6,514,853</u>	<u>(9,157)</u>	<u>6,505,696</u>
Expenses			
Program services Synod			
Churchwide and Ministry Partners	957,826	-	957,826
Strengthening Congregations	377,031	-	377,031
Outreach Supporting Congregations	148,685	-	148,685
Office of the Bishop	375,883	-	375,883
Program services Partners in Ministry			
Designated Support	3,530,996	-	3,530,996
Mission Ministries	<u>103,652</u>	<u>-</u>	<u>103,652</u>
Total program services	<u>5,494,073</u>	<u>-</u>	<u>5,494,073</u>
Supporting services			
Oversight of the Mission Plan	<u>286,221</u>	<u>-</u>	<u>286,221</u>
Total supporting services	<u>286,221</u>	<u>-</u>	<u>286,221</u>
Total expenses	<u>5,780,294</u>	<u>-</u>	<u>5,780,294</u>
Changes in net assets from operations	734,559	(9,157)	725,402
Non-operating changes			
Realized and unrealized gain on investments	839,258	696,316	1,535,574
Equity share of gains - Cross Roads Outdoor Ministries	<u>177,096</u>	<u>-</u>	<u>177,096</u>
Total non-operating changes	<u>1,016,354</u>	<u>696,316</u>	<u>1,712,670</u>
Changes in net assets	1,750,913	687,159	2,438,072
Net assets, beginning of year	<u>12,630,419</u>	<u>5,410,289</u>	<u>18,040,708</u>
Net assets, end of year	<u>\$ 14,381,332</u>	<u>\$ 6,097,448</u>	<u>\$ 20,478,780</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended January 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Support from congregations	\$ 1,725,271	\$ -	\$ 1,725,271
Other contributions and gifts	907,150	412,411	1,319,561
Grant revenue	109,694	-	109,694
Rental income	38,500	-	38,500
Investment income, net	84,428	47,327	131,755
Gain from sale of distressed church property	365,411	-	365,411
Assembly income	14,820	-	14,820
Donor restricted net assets released from restriction	<u>338,528</u>	<u>(338,528)</u>	<u>-</u>
Total revenues and other support	<u>3,583,802</u>	<u>121,210</u>	<u>3,705,012</u>
Expenses			
Program services Synod			
Churchwide and Ministry Partners	1,002,047	-	1,002,047
Strengthening Congregations	382,485	-	382,485
Outreach Supporting Congregations	171,525	-	171,525
Office of the Bishop	308,858	-	308,858
Program services Partners in Ministry			
Designated Support	981,232	-	981,232
Mission Ministries	<u>122,874</u>	<u>-</u>	<u>122,874</u>
Total program services	<u>2,969,021</u>	<u>-</u>	<u>2,969,021</u>
Supporting services			
Oversight of the Mission Plan	<u>354,925</u>	<u>-</u>	<u>354,925</u>
Total supporting services	<u>354,925</u>	<u>-</u>	<u>354,925</u>
Total expenses	<u>3,323,946</u>	<u>-</u>	<u>3,323,946</u>
Changes in net assets from operations	259,856	121,210	381,066
Non-operating changes			
Realized and unrealized loss on investments	(417,630)	(343,721)	(761,351)
Equity share of gains - Cross Roads Outdoor Ministries	<u>(29,111)</u>	<u>-</u>	<u>(29,111)</u>
Total non-operating changes	<u>(446,741)</u>	<u>(343,721)</u>	<u>(790,462)</u>
Changes in net assets	(186,885)	(222,511)	(409,396)
Net assets, beginning of year	<u>12,817,304</u>	<u>5,632,800</u>	<u>18,450,104</u>
Net assets, end of year	<u>\$ 12,630,419</u>	<u>\$ 5,410,289</u>	<u>\$ 18,040,708</u>

See notes to financial statements.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended January 31, 2024

	Program Services – Synod				Program Services - Partners in Ministry		Total Program Services	Supporting Services	Total Expenses
	Churchwide And Ministry Partners	Strengthening Congregations	Outreach Supporting Congregations	Office of the Bishop	Designated Support	Mission Ministries		Oversight of the Mission Plan	
Salaries and benefits	\$ -	\$ 307,885	\$ -	\$ 226,774	\$ -	\$ -	\$ 534,659	\$ 110,441	\$ 645,100
Contributions to ELCA	831,326	-	-	-	294,616	-	1,125,942	-	1,125,942
ULS expenses	90,000	-	-	-	1,976	-	91,976	-	91,976
Crossroads Ministry support contributions	30,000	-	-	-	12,396	-	42,396	-	42,396
Miscellaneous program expenses	6,500	69,146	-	101,094	-	2,050	178,790	-	178,790
Mission development	-	-	148,685	-	-	87,954	236,639	-	236,639
Current year Assembly expense	-	-	-	48,015	-	-	48,015	-	48,015
Fund Grants and disbursements	-	-	-	-	325,688	13,648	339,336	-	339,336
EMU expenses	-	-	-	-	144,965	-	144,965	-	144,965
Staff travel expenses	-	-	-	-	-	-	-	19,357	19,357
Volunteers meeting and travel	-	-	-	-	-	-	-	5,534	5,534
Audit, legal and insurance	-	-	-	-	-	-	-	39,315	39,315
Property management	-	-	-	-	-	-	-	27,672	27,672
Supplies and utilities	-	-	-	-	-	-	-	48,378	48,378
External Church property maintenance and legacy distribution	-	-	-	-	2,751,355	-	2,751,355	-	2,751,355
Depreciation	-	-	-	-	-	-	-	35,524	35,524
Total expenses	<u>\$ 957,826</u>	<u>\$ 377,031</u>	<u>\$ 148,685</u>	<u>\$ 375,883</u>	<u>\$3,530,996</u>	<u>\$103,652</u>	<u>\$ 5,494,073</u>	<u>\$ 286,221</u>	<u>\$5,780,294</u>

See notes to financial statements.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended January 31, 2023

	Program Services – Synod				Program Services - Partners in Ministry		Total Program Services	Supporting Services	Total Expenses
	Churchwide And Ministry Partners	Strengthening Congregations	Outreach Supporting Congregations	Office of the Bishop	Designated Support	Mission Ministries		Oversight of the Mission Plan	
Salaries and benefits	\$ -	\$ 290,831	\$ -	\$ 219,487	\$ -	\$ -	\$ 510,318	\$ 93,199	\$ 603,517
Contributions to ELCA	882,903	-	-	-	-	-	882,903	-	882,903
ULS expenses	90,000	-	-	-	2,031	-	92,031	-	92,031
Crossroads Ministry support contributions	22,644	-	-	-	1,000	-	23,644	-	23,644
Miscellaneous program expenses	6,500	91,654	-	81,883	-	2,416	182,453	-	182,453
Mission development	-	-	171,525	-	-	107,672	279,197	-	279,197
Current year Assembly expense	-	-	-	7,488	-	-	7,488	-	7,488
Fund Grants and disbursements	-	-	-	-	544,990	12,786	557,776	-	557,776
EMU expenses	-	-	-	-	105,245	-	105,245	-	105,245
Staff travel expenses	-	-	-	-	-	-	-	21,766	21,766
Volunteers meeting and travel	-	-	-	-	-	-	-	2,757	2,757
Audit, legal and insurance	-	-	-	-	-	-	-	92,873	92,873
Property management	-	-	-	-	-	-	-	60,184	60,184
Supplies and utilities	-	-	-	-	-	-	-	43,905	43,905
External Church property maintenance and legacy distribution	-	-	-	-	327,966	-	327,966	-	327,966
Depreciation	-	-	-	-	-	-	-	40,241	40,241
Total expenses	<u>\$ 1,002,047</u>	<u>\$ 382,485</u>	<u>\$ 171,525</u>	<u>\$ 308,858</u>	<u>\$ 981,232</u>	<u>\$ 122,874</u>	<u>\$ 2,969,021</u>	<u>\$ 354,925</u>	<u>\$ 3,323,946</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENTS OF CASH FLOWS

Years Ended January 31, 2024 And 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Changes in net assets	\$ 2,438,072	\$ (409,396)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation		
Synod house property and equipment	16,488	21,206
Cross Roads Outdoor Ministries – camp property improvements	19,036	19,035
Realized and unrealized (gains) losses on investments	(1,535,574)	761,351
Gain from sale of distressed church property	(2,872,940)	(365,411)
Equity share of (gains) losses - Cross Roads Outdoor Ministries	(177,096)	29,111
(Increase) decrease in		
Grant receivable	52,502	(4,704)
Accounts receivable	(956)	-
Prepaid expenses	(40,436)	(11,316)
Other assets	(661)	(598)
Increase in		
Accrued expenses	<u>1,311,371</u>	<u>55,000</u>
Net cash provided by (used for) operating activities	<u>(790,194)</u>	<u>94,278</u>
Cash flows from investing activities		
Land and property held by the Synod - cost incurred for holding and improvement of property	(23,699)	(18,431)
Proceeds from sale of distressed church property	2,872,940	365,411
Sale of investment	6,294,665	3,059,451
Purchase of investments	(7,100,151)	(5,270,763)
Loans issued to congregations	(22,000)	(35,400)
Collections of loans receivable	106,771	123,637
Collections of mortgage receivable	<u>6,000</u>	<u>7,937</u>
Net cash provided by (used in) investing activities	<u>2,134,526</u>	<u>(1,768,158)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	1,344,332	(1,673,880)
Cash, cash equivalents and restricted cash, beginning of year	<u>2,978,158</u>	<u>4,652,038</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,322,490</u>	<u>\$ 2,978,158</u>
Supplemental cash flow disclosures		
Schedule of cash, cash equivalents and restricted cash		
Without donor restrictions		
Cash and cash equivalents	\$ 3,641,943	\$ 2,320,359
Restricted cash	67,939	72,691
With donor restrictions		
Cash and cash equivalents	<u>612,608</u>	<u>585,108</u>
	<u>\$ 4,322,490</u>	<u>\$ 2,978,158</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

January 31, 2024 And 2023

(1) NATURE OF ORGANIZATION

ORGANIZATION

The New Jersey Synod of the Evangelical Lutheran Church in America, (“Synod”), is one of sixty- five geographical synodical units of the Evangelical Lutheran Church in America (“ELCA”). The Synod lies within Region 7 of the ELCA and is comprised of 148 congregations. The Synod relies primarily on annual mission support gifts from these congregations. The Synod Assembly, whose voting members include ministers and lay representatives from New Jersey congregations, is the Synod’s highest legislative authority. The Synod Assembly elects the Synod Council, Bishop, Vice- President, Secretary, and voting members to the ELCA Church-wide Assembly. The Treasurer is elected by the Synod Council.

The Synod Council appoints Mission Teams and recommends program goals and budgets and carries out the resolutions of the Synod Assembly. It issues letters of call to Ministers of Word and Sacrament and to Ministers of Word and Service. The programs and supporting services of the Synod are included in the statement of activities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Financial statement presentation follows the recommendation of accounting principles generally accepted in the United States of America (“GAAP”) to report information regarding the Synod’s financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

NET ASSETS

To ensure the observance of limitations and restrictions placed on the use of resources available to the Synod, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose.

The financial statements report amounts separately by the Synod’s two classes of net assets.

- a) Net assets without donor restrictions are those that are not subject to donor-imposed stipulations and are currently available at the discretion of management and the Synod Council for use in the Synod’s operations. These amounts also include Synod Council-designated funds that have been segregated by the Synod Council to be spent only for specific purposes.
- b) Net assets with donor restrictions are those that are subject to stipulations imposed by donors for specific purposes or for the acquisition of property and equipment, and either expire by passage of time or can be fulfilled and removed by action of the Synod, pursuant to the stipulations.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Synod, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

All contributions are considered available for use without donor restrictions, unless specifically restricted by the donor or subject to other legal restrictions.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

REVENUE AND REVENUE RECOGNITION

In accordance with Accounting Standards Codification (“ASC”) ASC-958 Not-For-Profit-entities, issued by the Financial Accounting Standards Board (“FASB”), contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. These contributions are recognized when cash or ownership of donated assets is unconditionally received by the Synod. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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 restriction.

In accordance with Accounting Standards Update (“ASU”) ASU 2018-08, grants and contracts awarded by third party donors which are generally considered nonreciprocal transactions restricted by donor for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The Organization has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted grant or contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Endowment contributions and investments are reported based on donor restrictions. When investment earnings become available for distribution, they are reclassified, as applicable, to either net assets with donor restrictions or net assets without donor restrictions. If the net asset with donor restrictions is utilized for its donor restricted purpose, it is reported in the statement of activities as net assets released from restrictions.

The Synod recognizes the sale of property in accordance with ASC 606 when the following criteria are met: 1) contract with the customer has been identified; 2) performance obligations in the contract have been identified; 3) transaction price has been determined; 4) the transaction price has been allocated to the performance obligations; and 5) when performance obligations are satisfied. Revenue from sale of property is recognized at the point and time when the Synod and customer/buyer close on a final sales contract.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period during which the income gains are recognized.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Synod considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents also include unrestricted money market accounts. Excluded from this definition of cash equivalents are investments in funds that have been designated as assets with donor restrictions to be held in perpetuity.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

CONCENTRATIONS OF CREDIT RISK

The Synod maintains an operating cash balance which may exceed federal and other insurance limits. Historically, the Synod has not experienced any credit-related losses. The risk is managed by maintaining the majority of its deposits in high-quality financial institutions.

The Synod maintains investment balances that may exceed federally or other insured limits, although historically the Synod has not experienced any credit-related losses. The investments are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions and world affairs.

The Synod's investments include fixed income investments which are not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Historically, the Synod has not experienced any credit-related losses.

CERTIFICATES OF DEPOSIT

Certificates of deposit are carried at cost, which approximates their fair value. As of January 31, 2024 and 2023, certificates of deposit interest rates ranged from 5.05% to 5.60% and 1% to 4.61%, respectively, and maturity dates ranged from March 28, 2024 through October 23, 2026 and March 30, 2023 through March 31, 2026, respectively.

INVESTMENTS

Investments consist of marketable securities, which are stated at fair value based on quoted prices on a recognized securities exchange and are classified as both Level 1 and 2 investments, as explained below and further detailed in Note 5.

All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

In 2024 and 2023, expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$105,835 and \$93,547, respectively. These fees are netted against investment income in the accompanying statement of activities for each respective year.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing program and supporting services have been summarized on a functional basis in the accompanying Statement of Functional Expenses. The Synod incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Synod also conducts a number of activities which benefit both its program objectives as well as its supporting services. Costs common to multiple functions have been allocated among program services and supporting services based on time and effort measurement and other methods. Staff costs are allocated based on time and effort.

Oversight of the mission plan expenses include costs generally referred to as management and general expenses, which are not identifiable with any specific program, but which provide for the overall support and direction of the organization.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

LOANS AND MORTGAGES RECEIVABLE

Loans and mortgages receivable represent funds advanced to congregations and affiliates within the Synod and are stated at unpaid principal balances, less an allowance for loan losses, as deemed necessary by management. Loans receivable are unsecured. Mortgages receivable are collateralized by a first mortgage on church property. A title policy is required showing the Synod as the valid first lien holder on all mortgaged properties.

Interest rates are set forth by terms established in the loan/mortgage agreements and currently range from 0.0% to 4.5%, per annum. Interest on loans/mortgages is recognized over the term of the loans and is calculated using the interest method on principal amounts outstanding.

Past due status is determined based on contractual terms. The Synod's practice is to charge off any loan/mortgage or portion of a loan/mortgage when the debt is determined by management to be uncollectible due to the church's failure to meet repayment terms, the church's deteriorating or deteriorated financial condition, or for other reasons. An allowance for loan losses is recorded based on a combination of historical experience and information on specific accounts. There was no allowance as of January 31, 2024 and 2023.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. The Synod capitalizes all asset purchases with an individual acquisition cost over \$5,000. Depreciation is computed using the straight-line method over the useful lives of the assets, generally three years for vehicles, twenty years for office furniture and equipment and forty years for buildings and improvements. Donations of assets are recorded at fair market value upon receipt. Maintenance, repairs and minor renewals are expensed as incurred.

LAND AND PROPERTY HELD BY THE SYNOD

Land and property held by the Synod is property that has been transferred from a congregation generally due to a disbanded congregation or a congregation experiencing financial difficulties. Properties are initially recorded at costs incurred to takeover property, which is generally the costs related to paying off the debt held on the property and costs to maintain the property. Properties are evaluated for impairment on an annual basis or as facts and circumstances arise. The Synod capitalizes costs incurred in connection with holding and improving the property and expects reimbursement of such costs when the property is either transferred back to another congregation or is sold.

IMPAIRMENT OF LONG-LIVED ASSETS

The Synod reviews the carrying values of its long-lived assets whenever events or changes in circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. No impairment charge was deemed necessary at January 31, 2024 or 2023. Impairment assessments inherently involve judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to property value, costs, or other factors that may result in changes in the Synod's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

INVESTMENT IN UNCONSOLIDATED AFFILIATE

The Synod accounts for its investment in Cross Roads Outdoor Ministries under the equity method of accounting, which is appropriate in accordance with accounting guidance related to joint venture accounting. Under the equity method, the investment is initially recorded at cost and is subsequently adjusted for the Synod's share of earnings or losses of the affiliate.

INCOME TAXES

The Synod is a religious organization and is exempt from federal income taxes as a result of its affiliation with the ELCA, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Synod has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(3) PROGRAM AND SUPPORTING SERVICES

The Synod financial statements reflect the following program and supporting services:

PROGRAM SERVICES - SYNOD

Churchwide and Ministry Partners support our partners in ministry in New Jersey, our region and the churchwide organization. Fifty percent of congregational mission support gifts are remitted to the ELCA churchwide organization to support relief efforts and mission work around the world.

Strengthening Congregations supports the Synod's work toward strengthening congregations within the New Jersey Synod, including funding for: Synod staff addressing congregational needs; youth programs and program staff; the Discipleship and Witness Mission Team; the Justice and Peace Mission Team; stewardship resources; and other programs, events and grants.

Outreach Supporting Congregations supports mission development within New Jersey, enables new expressions of ministry in the Synod, assists the start-up of new churches and helps revitalize existing ministries.

Office of the Bishop provides guidance and assistance to Synod congregations and coordinates statewide church and legal processes, including: congregational vacancy and call processes; seminarian discernment and candidacy processes; coordination across the Synod; collaboration and ecumenical dialogue with other church organizations; Synod gatherings such as the Synod Assembly; the Synod Deans, who coordinate our mission districts and support our pastors; and strategic planning.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

PROGRAM SERVICES - PARTNERS IN MINISTRY

Designated Support includes grants and loans given to congregations, groups and individuals from restricted gifts and funds. Examples include the ELCA World Hunger programs; ELCA Mission programs; Fund for Mission grants; Wurffel education grants; loans for congregational transformation; EMU and LEAM program funds; the International Servant Trip to Bosnia; youth ministry programs such as youth retreats. Designated Support includes disbursement of the net sale proceeds of distressed church properties.

Mission Ministries includes support for the missions and developing congregations within the New Jersey Synod. Examples include Bridge of Peace Community Church in Camden; Christus Lutheran in Camden; Morning Star in Ridgefield; Santa Isabel in Elizabeth; St. Stephan Grace in Newark; St. Bartholomew Lutheran in Trenton; Trinity Lutheran in Jersey City; St. Matthew Lutheran in Secaucus.

SUPPORTING SERVICES

Oversight of the Mission Plan includes those functions necessary to support the administrative, financial and legal aspects of running a church organization including: managing our resources and properties; communicating across the Synod; fulfilling ELCA, legal and regulatory requirements; and planning for our future.

(4) INVESTMENTS

The table below sets forth a summary of both the current and non-current investments held by the Synod as of January 31, 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit	\$ 2,048,964	\$ 2,080,843	\$ 1,342,768	\$ 1,341,503
Common stock	6,487,371	8,659,140	6,340,314	7,251,713
Bonds	557,000	515,927	568,368	506,887
Mutual funds – fixed income	39,567	39,649	-	-
Commingled fund	250,000	242,060	250,000	232,322
Structured products				
Fixed income	410,970	342,413	432,290	396,573
Equity	<u>1,025,000</u>	<u>1,016,256</u>	<u>895,000</u>	<u>826,230</u>
Total investments	<u>\$ 10,818,872</u>	<u>\$ 12,896,288</u>	<u>\$ 9,828,740</u>	<u>\$ 10,555,228</u>

As of January 31, 2024 and 2023, accumulated net unrealized gains were \$2,077,416 and \$726,488, respectively.

The following summarizes the investment return for the years ended January 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Dividends and interest, net of investment expenses of \$105,835 and \$93,547	\$ 210,406	\$ 131,755
Realized gains	184,646	66,314
Unrealized gains (losses)	<u>1,350,928</u>	<u>(827,665)</u>
Total investment return	<u>\$ 1,745,980</u>	<u>\$ (629,596)</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

The Synod utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Synod has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Synod's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Synod's investments as of January 31, 2024 and 2023 is as follows:

	<u>2024</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 2,080,843	\$ -	\$ 2,080,843	\$ -
Common stock	8,659,140	8,659,140	-	-
Bonds	515,927	-	515,927	-
Mutual funds – fixed income	39,649	39,649	-	-
Commingled Fund	242,060	-	242,060	-
Structured products				
Fixed income	342,413	-	342,413	-
Equity	<u>1,016,256</u>	<u>-</u>	<u>1,016,256</u>	<u>-</u>
Total	<u>\$ 12,896,288</u>	<u>\$ 8,698,789</u>	<u>\$ 4,197,499</u>	<u>\$ -</u>

	<u>2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 1,341,503	\$ -	\$ 1,341,503	\$ -
Common stock	7,251,713	7,251,713	-	-
Bonds	506,887	-	506,887	-
Commingled Fund	232,322	-	232,322	-
Structured products				
Fixed income	396,573	-	396,573	-
Equity	<u>826,230</u>	<u>-</u>	<u>826,230</u>	<u>-</u>
Total	<u>\$ 10,555,228</u>	<u>\$ 7,251,713</u>	<u>\$ 3,303,515</u>	<u>\$ -</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

(5) LOANS RECEIVABLE

The Synod holds the following loans receivable:

	<u>January 31, 2024</u>	<u>January 31, 2023</u>
Cross Roads Camp and Retreat Center, Port Murray, NJ Principal of \$292,536 at 4.5% interest, due November 8, 2029.	\$ 186,329	\$ 204,357
Transformational Ministry Loans Various principal amounts at 1.0% interest, with various final maturity dates through January 15, 2030.	108,805	124,789
COVID-19 Financial Assistance Loans Various principal amounts at 0% interest, forgiven at 25% per year over four years if borrower continues their ministry, with various maturity dates through July 2025.	70,656	121,415
Reformed Church of Highland Park Affordable Housing Corporation, NJ principal of \$100,000 at 2% interest due September 1, 2028.	<u>100,000</u>	<u>100,000</u>
	465,790	550,561
Less – allowance		-
Less – current portion	<u>(55,569)</u>	<u>(50,360)</u>
Non – current portion	<u>\$ 410,221</u>	<u>\$ 500,201</u>

Total maturities of loans receivable, not including the COVID-19 Financial Assistance Loans (as expected to be forgiven) for the years ending January 31, are as follows:

2025	\$ 55,569
2026	45,050
2027	37,962
2028	32,225
2029	133,323
2030 & thereafter	<u>91,005</u>
Total	395,134
COVID-19 Financial Assistance Loans	<u>70,656</u>
Total loans receivable	<u>\$ 465,790</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

(6) MORTGAGES RECEIVABLE

The Synod holds the following mortgages receivable:

	January 31, 2024	January 31, 2023
Dunamis Life Church, Camden, NJ \$31,582 interest free, due July 12, 2027 (1)	\$ 21,187	\$ 27,187
Trinity Lutheran Church, Jersey City, NJ Originally \$50,000 at 1.0% interest, due June 22, 2021, converted to a long-term lien in July 2017 (2)	19,568	19,568
	40,755	46,755
Less – current portion	(6,000)	(5,105)
Noncurrent portion	<u>\$ 34,755</u>	<u>\$ 41,650</u>

(1) The mortgage receivable was amended in August 2014. Under the amended agreement, the principal of the mortgage was reduced to \$36,000, and the maturity date was extended to February 12, 2025 with prepayments in whole or in part able to be made at any time, without a prepayment fee. The borrower began making principal and interest payments in January 2021. The agreement was amended again in June 2022, with all remaining interest waived and the maturity date extended to July 12, 2027. Monthly principal payments of \$500 began in July 2022.

(2) In July 2017, the remaining balance of the Trinity Lutheran transformational ministry loan of \$19,568 was converted into a long-term lien on the property of Trinity Lutheran Church. In the event that the property is sold at a future date, the balance shall be paid to the New Jersey Synod, ELCA from the proceeds of the property sale. The loan balance has been included in the thereafter balance in the table below.

Total maturities of mortgages receivable for the years ending January 31 are as follows:

2025	\$ 6,000
2026	6,000
2027	6,000
2028	3,187
Thereafter	<u>19,568</u>
Total	<u>\$ 40,755</u>

(7) SYNOD HOUSE PROPERTY AND EQUIPMENT

The Synod house property and equipment consists of the following:

	January 31, 2024	January 31, 2023
Land	\$ 51,502	\$ 51,502
Building and improvements	551,792	551,792
Office furniture and equipment	53,870	53,870
Vehicles	<u>42,749</u>	<u>42,749</u>
	699,913	699,913
Less - Accumulated depreciation	<u>(349,400)</u>	<u>(332,912)</u>
	<u>\$ 350,513</u>	<u>\$ 367,001</u>

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

(8) LAND AND PROPERTY HELD BY THE SYNOD

Property held by the Synod consists of the following:

	<u>January 31, 2024</u>	<u>January 31, 2023</u>
Property held by Synod:		
St. John the Baptist, Hoboken, NJ (1)	\$ 596,469	\$ 593,658
Santa Isabel Lutheran Church, Elizabeth, NJ (2)	594,190	589,809
Santa Isabel Parsonage, Elizabeth, NJ (3)	131,980	130,818
Santa Isabel Parish Hall, Elizabeth, NJ (4)	164,067	158,443
Bridge of Peace, Camden, NJ (5)	<u>275,103</u>	<u>265,382</u>
	<u>\$1,761,809</u>	<u>\$1,738,110</u>

- (1) The Synod is currently leasing this property to the Hoboken Shelter (a housing mission agency). The current year increase in the balance represents additional costs of \$2,811 incurred for property and liability insurance.
- (2) Santa Isabel is a New Jersey Synod Mission Congregation. The current year increase in the balance represents additional costs of \$4,381 incurred for property and liability insurance.
- (3) The Santa Isabel Parsonage is used by the pastor of the Santa Isabel congregation. The current year increase in the balance represents additional costs of \$1,162 incurred for property and liability insurance.
- (4) The Santa Isabel Parish Hall is used by Santa Isabel congregation for community fellowship and community support groups. The current year increase in the balance represents additional costs of \$5,624 incurred for property and liability insurance.
- (5) Bridge of Peace is an organized New Jersey Synod congregation. The Synod continues to own the property and assist the congregation. The current year increase in the balance represents additional costs of \$9,721 incurred and capitalized in connection with holding and improving the property and for property and liability insurance.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

(9) NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available to support activities for the following:

Purpose Restricted:	January 31, 2024	January 31, 2023
Partners in Ministry - Designated Support:		
Danish Children Home- Endowment	\$ 2,765	\$ (1,947)
Franklin Fry Chair - Endowment	68,422	58,901
Brueckner Outdoor Ministries - Endowment	253,548	236,992
Compensation Aid - Endowment	305,016	227,988
Candidacy - Endowment	241,959	231,457
Stewardship	3,102	3,844
Brauninger Travel	15,772	5,772
Namibia Special	25,703	23,497
Global Mission Team	2,216	4,822
Immediate Response Disaster Fund	387	1,397
Our Savior, Edison Fund – Endowment	459,295	16,317
Bishop’s Challenge Jehu Jones	64,558	80,121
Bishop’s Discretionary Fund	90,889	11,240
Advocacy Ministry	20	20
Total Partners in Ministry - Designated Support	<u>1,533,652</u>	<u>900,421</u>
Partners in Ministry - Mission Ministries:		
Fund for Mission - Endowment:		
North Plainfield Music	90,230	81,190
St. Luke Legacy	428,570	381,135
Handicap Access - Redeemer	38,137	32,831
Fund for Mission Legacy - Endowment	157,116	171,485
Fund for Mission, Advent Legacy	565,776	564,531
Hudson Waterfront/Ridgefield Park	5,000	5,000
Total Partners in Ministry - Mission Ministries	<u>1,284,829</u>	<u>1,236,172</u>
Total - purpose restricted	<u>2,818,481</u>	<u>2,136,593</u>
Endowment Funds - Perpetual in Nature:		
Danish Children Home	31,105	31,105
Fund for Mission	445,462	445,462
Our Savior, Edison Fund	2,802,400	2,797,129
Total-perpetual in nature	<u>3,278,967</u>	<u>3,273,696</u>
Total net assets with donor restrictions	<u>\$6,097,448</u>	<u>\$5,410,289</u>

Investment income generated by the Danish Children’s Home, Fund for Mission and Our Savior, Edison Fund may be used only for donor-specified purposes.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the years ended January 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Total Partners in Ministry - Designated Support	\$ 126,580	\$ 147,740
Total Partners in Ministry - Mission Ministries	<u>128,871</u>	<u>190,788</u>
	<u>\$ 255,451</u>	<u>\$ 338,528</u>

(10) RETIREMENT PLAN

Substantially all full-time employees of the Synod are enrolled in an employee savings provision plan (403(b) retirement plan) made available and administered by Portico Benefit Services of the ELCA. The Synod contributes 12% based upon the plan agreement. The full current employer cost provided for under the plan was approximately \$61,400 and \$59,700 for the years ended January 31, 2024 and 2023, respectively.

(11) EQUITY IN CROSS ROADS OUTDOOR MINISTRIES

Camp Beisler was acquired by the Lutheran Church in 1953. In 1988, a merger of separate Lutheran denominations took place, forming the ELCA. At that time, Camp Beisler became part of the Synod.

In April 1999, the Synod and the Diocese of Newark of the Protestant Episcopal Church in the United States of America (the “Diocese”) filed a Certificate of Incorporation with the State of New Jersey to establish a non-profit corporation known as the Lutheran/Episcopal Camp and Conference Center, Inc. (the “Camp and Conference Center”), for the purpose of operating the newly established camp, formerly known as Camp Beisler.

In 2000, the Synod entered into a joint venture agreement (the “agreement”) with the Diocese whereby the Synod conveyed a 50% interest to the Diocese in the land improvements at Camp Beisler. The Synod received \$730,000 for this interest and recorded a gain of \$367,827, net of the cost basis. In connection with this agreement, the Synod executed a fifty-year ground lease for \$1 each year with the Camp and Conference Center. Also, the Synod and Diocese lease the land improvements to the Camp and Conference Center for \$1 a year for fifty years, concurrent with the ground lease.

The agreement further provides that in the event that the Synod causes the Camp and Conference Center to be dissolved or the ground lease is terminated by the Synod, the Synod will repurchase the Diocese’s 50% interest in the land improvements for the greater of fair market value or \$730,000. In the event that the Diocese causes the Camp and Conference Center to be dissolved or withdraws from the Camp and Conference Center, the Synod will repurchase the Diocese’s 50% interest in the land improvements for the lower of fair market value or \$730,000. During 2014, the Synod amended its agreement with the Camp and Conference Center, and made a \$250,000 equity contribution to the Camp and Conference Center, which reduced the balance of a fund that had been designated in the event the Camp and Conference Center is dissolved by either party.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

The Synod accounts for its investment in the Camp and Conference Center under the equity method of accounting which is appropriate in accordance with accounting guidance related to joint venture accounting. At January 31, 2024 and 2023, the Synod's equity in Cross Roads Outdoor Ministries is comprised of the following (using information for Cross Roads as of December 31, 2022 and 2021):

	<u>January 31, 2024</u>	<u>January 31, 2023</u>
Camp property improvements, net of accumulated depreciation	\$ 317,329	\$ 336,365
Camp reserve	250,000	250,000
Camp land	1,030,262	1,030,262
Camp land improvements	<u>19,538</u>	<u>19,538</u>
	<u>1,617,129</u>	<u>1,636,165</u>
Cumulative equity, share of earnings, beginning of year	166,441	195,552
Equity share of gains (losses) - see table below	<u>177,096</u>	<u>(29,111)</u>
Cumulative equity, share of earnings, end of year	<u>\$1,960,666</u>	<u>\$1,802,606</u>

Summary financial information related to the Synod's equity interest in Cross Roads Outdoor Ministries for the year ended January 31, 2024 and 2023 is presented as follows (using information for Cross Roads as of December 31, 2022 and 2021):

	<u>January 31, 2024</u>	<u>January 31, 2023</u>
Total support and revenues	\$1,406,466	\$1,021,289
Total expenses	<u>1,052,274</u>	<u>826,101</u>
Change in net assets	354,192	195,188
Synod's percentage interest	<u>x 50%</u>	<u>x 50%</u>
Synod's share of gains in Cross Roads Outdoor Ministries	177,096	97,594
Previous year estimates – reversal	<u>-</u>	<u>(126,705)</u>
Net equity share of gains (losses)	<u>\$ 177,096</u>	<u>\$ (29,111)</u>

(12) ENDOWMENT POLICY

ENDOWMENT DESCRIPTION AND INTERPRETATION OF RELEVANT LAW

The Synod endowment consists of various funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Synod Council to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Synod Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Synod Council and the Synod Investment Committee have interpreted the Uniform Prudent Management of Institutional Funds Act to require standard care that is reasonable and prudent over its endowed funds. The Synod classifies as net assets with donor restrictions, the original value of (1) gifts donated to the perpetual endowment and (2) gifts donated to the endowment with purpose restrictions. The Synod classifies as net assets without donor restrictions those funds designated by the Synod Council to function as endowments.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

ENDOWMENT SPENDING POLICY

The Synod Council has an approved Investment Policy with spending guidelines. The purpose of this Investment Policy is to establish a prudent and consistent approach to the distribution of endowment earnings that reflects an appropriate balance between the present and future needs. The policy is designed to provide a reasonable degree of stability and predictability in the amount of endowment earnings available for grants, scholarship and the other restricted purposes established by donors, as well as in the amount available for support of the Synod Spending Plan. The Synod Council has approved expenditures based on resolutions for Wurffel scholarships and grants, Fund for Mission grants and approval of the Spending Plan.

The Synod Council approves expenditures in the four to six percent range based on the previous three years' average investment balance. The Synod Council, periodically, as circumstances dictate, considers modifications to the Synod Investment Policy. All disbursements are expended according to donor restrictions and are classified as net assets released from restrictions in the accompanying statement of activities and changes in net assets.

ENDOWMENT INVESTMENT POLICIES

The Synod Council and the Synod Investment Committee have adopted investment policies that seek long-term capital growth, current income and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. The endowment investments may be invested in any combination of common stocks, securities convertible to common stock, preferred stocks, fixed income securities, mutual funds, managed funds and certificates of deposit, as long as the ratio of equities to fixed income does not exceed 70% equities. All investments are to comply with the ELCA's social responsibility guideline.

To satisfy its long-term objectives, 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). The Synod targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The target rate of return on investments ranges from four to six percent.

Under the provisions of the Uniform Prudent Management of Institutional Funds Act and GAAP, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in net assets with donor restrictions or net assets without donor restrictions, or both.

The net assets with perpetual donor restrictions of such endowment funds should always equal their historic dollar value. A perpetual endowment fund that has become "underwater" will therefore result in decreases in net assets with purpose donor restrictions, or decreases in net assets without donor restrictions, despite the absence of any legal obligation to restore the endowment fund for such losses. Net assets without donor restrictions that have been reduced because of this requirement will be restored from future gains for that reduction. No endowments were "underwater" as of January 31, 2024 and 2023.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

Changes in Endowment Net Assets for the Year Ended January 31, 2024:

	<u>Synod Council Designated</u>	<u>Purpose Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,199,557	\$ 1,436,369	\$ 3,273,696	\$ 9,909,622
Investment gain, net	848,366	755,501	-	1,603,867
Contributions and transfers	599,692	58,392	5,271	663,355
Endowment disbursements and transfers	<u>(350,245)</u>	<u>(205,183)</u>	<u>-</u>	<u>(555,428)</u>
Endowment net assets, end of year	<u>\$ 6,297,370</u>	<u>\$ 2,045,079</u>	<u>\$ 3,278,967</u>	<u>\$ 11,621,416</u>

Changes in Endowment Net Assets for the Year Ended January 31, 2023:

	<u>Synod Council Designated</u>	<u>Purpose Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,727,674	\$ 1,974,684	\$ 2,935,175	\$ 10,637,533
Investment loss, net	(352,328)	(296,394)	-	(648,722)
Contributions and transfers	291,418	24,374	338,521	654,313
Endowment disbursements and transfers	<u>(467,207)</u>	<u>(266,295)</u>	<u>-</u>	<u>(733,502)</u>
Endowment net assets, end of year	<u>\$ 5,199,557</u>	<u>\$ 1,436,369</u>	<u>\$ 3,273,696</u>	<u>\$ 9,909,622</u>

(13) CONTINGENT LIABILITIES AND RESTRICTED CASH

To assist non-related ELCA congregations with the purchase of former ELCA properties, the Synod at times enters into tenant-in-common agreements. Under the terms of the agreements, the Synod agrees to jointly guarantee a mortgage held by a purchasing congregation and funds a debt service reserve account with the financial institution lender. The deed for the mortgaged property is held in escrow, and the Synod retains a 51% interest in the property as a tenant-in-common and a 49% interest is granted to the congregation. Under the terms of the agreements, the Synod is released of all liability for the mortgage loan if the congregation meets certain financial benchmarks as defined by the financial institution. If the congregation defaults on the loan payments, the Synod becomes liable and the deed for the property would be released to the Synod. As of January 31, 2024, there were no defaults under these arrangements.

As of January 31, 2024 and 2023, the Synod was party to three tenant-in-common agreements. At January 31, 2024 and 2023, total funds in reserve related to tenant-in-common agreements were \$67,939 and \$72,691 respectively and are reflected as restricted cash on the Statements of Financial Position.

Management believes its performance obligation on these guarantees will be immaterial, and, as such has not recorded any liability related to the guarantees. The Synod's payment/performance risk of the guarantee is managed by the following: (1) currently none of the loan arrangements are in default; (2) if default would occur the external lender would utilize those funds held in reserve first prior to seeking funds from the Synod; (3) the Synod has adequate cash flow reserves to cover any defaults; (4) should a congregation default on their loan, the property will revert to the Synod.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

The future minimum payments due under the mortgage loans, guaranteed by the Synod, for the years ending January 31, are as follows:

	<u>Keys To Life Ministries</u>	<u>Holy Trinity Baptist Church</u>	<u>Macedonia Baptist Church</u>	<u>Total</u>
2025	\$ 26,757	\$ 18,626	\$ 26,475	\$ 71,858
2026	29,412	20,188	28,647	78,247
2027	32,331	21,881	30,997	85,209
2028	35,540	23,717	33,539	92,796
2029	39,067	25,705	36,291	101,063
2029 and thereafter	<u>180,713</u>	<u>157,335</u>	<u>376,123</u>	<u>714,171</u>
Total	<u>\$ 343,820</u>	<u>\$ 267,452</u>	<u>\$ 532,072</u>	<u>\$ 1,143,344</u>

(14) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table shows the Synod's total financial assets and the amounts that could be made readily available within one year of the year ended January 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,254,551	\$ 2,905,467
Restricted cash	67,939	72,691
Investments	12,896,288	10,555,228
Loans receivable, current	55,569	50,360
Mortgage receivable, currently	6,000	5,105
Grants receivable	-	52,502
Accounts receivable	<u>956</u>	<u>-</u>
Total financial assets available within one year	17,281,303	13,641,353
Less amounts unavailable for general expenditures within one year due to:		
Restricted cash	(67,939)	(72,691)
Restricted by donor with purpose restrictions	(773,402)	(700,224)
Endowments-restricted by donor with purpose restrictions	(2,045,079)	(1,436,369)
Endowments-restricted by donor in perpetuity	(3,278,967)	(3,273,696)
Less amounts unavailable to management without Synod Council approval:		
Endowments-Synod Council designated funds	<u>(6,297,370)</u>	<u>(5,199,557)</u>
Total financial assets available to management for general operating expenditures within one year	<u>\$ 4,818,546</u>	<u>\$ 2,958,816</u>

The Synod operates within a budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Additionally, the Synod can re-allocate Synod Council designated funds to cover expenditures as necessary.

The Synod has donor-restricted assets limited as to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the above qualitative information for financial assets to meet general expenditures within one year.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

January 31, 2024 And 2023

LIQUIDITY MANAGEMENT

The Synod has an investment policy authorized by the Synod Council that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Synod maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Synod, the time horizon of those needs and the Synod Council's investment philosophy.

To help manage unanticipated liquidity needs, the Synod has Synod Council designated net assets without donor restrictions that, while the Synod does not intend to spend for purposes other than identified, the amounts could be made available for current operations, as necessary.

The Synod's net assets without donor restrictions are comprised of designated amounts for the following purposes as of January 31:

<u>Synod Council Designated Funds:</u>	<u>2024</u>	<u>2023</u>
Fund for Mission	\$2,275,159	\$1,911,641
Cross Roads Unrestricted	564,342	485,727
Camden Lutheran Ministries	71,577	101,218
Mission Development	714,026	452,795
Synod Parsonage	275,252	236,951
Candidacy Endowment	178,510	153,671
Compensation Aid	158,483	136,430
Wurffel Fund	<u>2,060,021</u>	<u>1,721,124</u>
	<u>\$6,297,370</u>	<u>\$5,199,557</u>

(15) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 25, 2024, have been evaluated in the preparation of financial statements. There were no material subsequent events required to be disclosed.