

**Northeastern Ohio Synod
of the Evangelical Lutheran
Church in America**

Financial Statements and
Independent Auditor's Report with
Supplementary Information

January 31, 2023 and 2022

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America**

**Financial Statements with Supplementary Information
January 31, 2023 and 2022**

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Independent Auditor's Report

To the Synod Council of Northeastern Ohio Synod of the Evangelical Lutheran Church in America
Cuyahoga Falls, Ohio

Opinion

We have audited the accompanying financial statements of the Northeastern Ohio Synod of the Evangelical Lutheran Church in America (a nonprofit organization) (the "Synod"), which comprise the statements of financial position as of January 31, 2023 and 2022, and the related statements of activities, functional expenses, changes in net assets, 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, 2023 and 2022, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included on pages 21 through 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Apple Growth Partners

Akron, Ohio
October 23, 2023

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statements of Financial Position**

	January 31,	
	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents:		
Commercial deposits	\$ 90,108	\$ 129,046
Money market funds	77,234	26,331
ELCA Mission Plus Fund	1,310	363,084
	168,652	518,461
Prepaid expenses	2,268	37,880
Total current assets	170,920	556,341
Investments		
ELCA fund	424,442	449,906
ELCA Mission Term Investment	60,984	59,701
Government and agencies	212,717	269,421
Mutual funds	400,841	431,951
Corporate bonds	322,035	390,849
	1,421,019	1,601,828
Equipment and furniture	30,574	30,574
Less accumulated depreciation	(25,035)	(24,112)
Net equipment and furniture	5,539	6,462
Land - administration facility	80,800	80,800
Land - adjacent property	49,370	49,370
Administration facility	859,228	859,228
Administration facility improvements	267,096	91,405
Less accumulated depreciation	(479,716)	(452,877)
Net property	776,778	627,926
Property, equipment, and furniture, net	782,317	634,388
	\$ 2,374,256	\$ 2,792,557

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statements of Financial Position**

	January 31,	
	2023	2022
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,946	\$ 2,280
Accrued expenses	13,426	6,448
Funds held for others	63,514	78,738
Total current liabilities	78,886	87,466
NET ASSETS		
Without donor restrictions - General	992,366	919,292
Without donor restrictions - Council Designated		
Capital Assets	1,337	172,106
Bishop's Discretionary Fund	2,037	5,091
Staff Education	6,891	4,650
Budget Deficits and Projects	246,785	246,285
PNC Bank Investments	463,005	683,654
Facility Upkeep	13,279	6,176
Mission Development and Congregational Redevelopment	189,896	149,440
New Mission Starts	-	56,206
Region 6 Archives	17,267	9,867
Synod Assembly Carryover	7,415	12,611
LuTMA	1,309	1,309
Dandelion Participant Payments	-	4,018
Dandelion Gifts/Grants	-	10,000
Anchor Church	7,500	4,250
OH Rostered Minister Gathering	-	7,727
Afghan Refugee Response	340	18,075
Professional Leaders' Retreat	1,159	4,439
Global Mission Travel (Formerly First, Fairport Harbor)	27,314	27,914
Lutheran Youth Organization	8,037	5,787
Sleasman Art	50	-
Total without donor restrictions - Council Designated	993,621	1,429,605
Total without donor restrictions	1,985,987	2,348,897

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statements of Financial Position**

	January 31,	
	2023	2022
With donor restrictions		
Elderly Persons' Assistance Fund	\$ 112,463	\$ 112,463
Disabled Children's Fund	77,231	97,231
Resource Center Acquisitions	2,596	1,260
Mideast Task Force Program	-	7,278
Eastern Conference Seminarians	33	33
Gratzer Ecumenism Fund	15,249	15,249
Cleveland West Conference	-	213
Small Town and Rural	1,679	1,679
Mission Development and Congregational Redevelopment	-	56,609
CSTeam	4,886	4,576
Area Ministry Task Force	2,714	2,714
Campaign Fund	6,872	6,872
Wellness Grants	8,399	9,929
CSTeam Assistance Fund	9,107	6,257
Lay Academy	3,000	3,000
Stewardship Education	810	810
Macedonia (Stewardship)	-	2,016
Christian Education	12,486	28,005
Congregational Vitality	51,350	-
Bishop's Discretionary Fund	508	-
Total with donor restrictions	309,383	356,194
 Total net assets	 2,295,370	 2,705,091
	 \$ 2,374,256	 \$ 2,792,557

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statement of Activities**

For the year ended January 31, 2023

	Without Donor Restrictions		With Donor Restrictions	Total 2023
	General	Council Designated		
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,200,062	\$ -	\$ -	\$ 1,200,062
Bequests/Special gifts	22,357	-	-	22,357
Outreach grant income	10,000	-	-	10,000
Synod assembly fees	33,829	-	-	33,829
Miscellaneous income	4,246	-	-	4,246
Contributions	-	36,034	32,720	68,754
TOTAL SUPPORT AND REVENUE	1,270,494	36,034	32,720	1,339,248
NET ASSETS RELEASED FROM COUNCIL DESIGNATION OR RESTRICTIONS	293,783	(226,772)	(67,011)	-
	1,564,277	(190,738)	(34,291)	1,339,248
EXPENSES				
Program expenses	1,363,353	-	-	1,363,353
Management and general expenses	275,891	-	-	275,891
TOTAL EXPENSES	1,639,244	-	-	1,639,244
Transfers of net assets	157,445	(157,445)	-	-
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN, NET	82,478	(348,183)	(34,291)	(299,996)
Investment return, net	(9,404)	(87,801)	(12,520)	(109,725)
CHANGE IN NET ASSETS	73,074	(435,984)	(46,811)	(409,721)
NET ASSETS - BEGINNING OF YEAR	919,292	1,429,605	356,194	2,705,091
NET ASSETS - END OF YEAR	\$ 992,366	\$ 993,621	\$ 309,383	\$ 2,295,370

The accompanying notes are an integral part of these financial statements.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statement of Activities**

For the year ended January 31, 2022

	Without Donor Restrictions		With Donor Restrictions	Total 2022
	General	Council Designated		
SUPPORT AND REVENUE				
Unrestricted congregational mission support	\$ 1,224,891	\$ -	\$ -	\$ 1,224,891
Bequests/Special gifts	2,030	-	-	2,030
Outreach grant income	10,000	-	-	10,000
Synod assembly fees	38,383	-	-	38,383
Miscellaneous income	2,381	-	-	2,381
Contributions	-	85,193	28,782	113,975
TOTAL SUPPORT AND REVENUE	1,277,685	85,193	28,782	1,391,660
NET ASSETS RELEASED FROM COUNCIL DESIGNATION OR RESTRICTIONS	205,511	(82,534)	(122,977)	-
	1,483,196	2,659	(94,195)	1,391,660
EXPENSES				
Program expenses	1,333,212	-	-	1,333,212
Management and general expenses	279,494	-	-	279,494
TOTAL EXPENSES	1,612,706	-	-	1,612,706
Transfers of net assets	(161,213)	161,213	-	-
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN, NET	(290,723)	163,872	(94,195)	(221,046)
Investment return, net	17,793	76,994	18,528	113,315
CHANGE IN NET ASSETS	(272,930)	240,866	(75,667)	(107,731)
NET ASSETS - BEGINNING OF YEAR	1,192,222	1,188,739	431,861	2,812,822
NET ASSETS - END OF YEAR	\$ 919,292	\$ 1,429,605	\$ 356,194	\$ 2,705,091

The accompanying notes are an integral part of these financial statements.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statement of Functional Expenses**

For the year ended January 31, 2023

	Programs				Total Programs	Management & General	Total Expenses
	Church in Society	Congregation Life	Faith and Life	Leadership			
ELCA Mission Support	\$ 550,056	\$ -	\$ -	\$ -	\$ 550,056	\$ -	\$ 550,056
Other Mission Support	39,278	-	-	-	39,278	-	39,278
Mission and Discipleship	-	84,866	-	-	84,866	-	84,866
Resource Center and Program Support	-	280	-	-	280	-	280
Synod Program Support	-	4,006	-	-	4,006	-	4,006
General Conference Support	-	1,839	-	-	1,839	-	1,839
Seminary Support	-	-	-	32,800	32,800	-	32,800
Candidacy Programs	-	-	-	3,291	3,291	-	3,291
Care of Rostered Persons and Leadership Expenses	-	-	-	4,776	4,776	-	4,776
Other Leadership Programs	-	-	-	10,877	10,877	-	10,877
Colleges and Universities	-	-	1,875	-	1,875	-	1,875
Young Adult and Youth Programs	-	-	12,000	-	12,000	-	12,000
Outdoor Ministries	-	-	48,750	-	48,750	-	48,750
Capital Assets	-	-	-	-	-	82,934	82,934
General Operations	-	7,625	-	-	7,625	-	7,625
Staff Compensation and Benefits	67,631	206,480	14,206	184,276	472,593	106,356	578,949
Travel and Other Professional Expenses	4,410	10,311	348	5,091	20,160	3,349	23,509
Contract Services	-	-	-	-	-	33,205	33,205
Office Operations	1,545	14,907	827	9,722	27,001	15,649	42,650
Building Expenses and Related Depreciation	1,661	32,124	1,215	6,280	41,280	34,398	75,678
	<u>\$ 664,581</u>	<u>\$ 362,438</u>	<u>\$ 79,221</u>	<u>\$ 257,113</u>	<u>\$ 1,363,353</u>	<u>\$ 275,891</u>	<u>\$ 1,639,244</u>

The accompanying notes are an integral part of these financial statements.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statement of Functional Expenses**

For the year ended January 31, 2022

	Programs				Total Programs	Management & General	Total Expenses
	Church in Society	Congregation Life	Faith and Life	Leadership			
ELCA Mission Support	\$ 581,823	\$ -	\$ -	\$ -	\$ 581,823	\$ -	\$ 581,823
Other Mission Support	43,500	-	-	-	43,500	-	43,500
Mission and Discipleship	-	84,788	-	-	84,788	-	84,788
Synod Program Support	-	12,626	-	-	12,626	-	12,626
General Conference Support	-	8,800	-	-	8,800	-	8,800
Seminary Support	-	-	-	20,000	20,000	-	20,000
Candidacy Programs	-	-	-	3,668	3,668	-	3,668
Care of Rostered Persons and Leadership Expenses	-	-	-	2,419	2,419	-	2,419
Other Leadership Programs	-	-	-	2,300	2,300	-	2,300
Colleges and Universities	-	-	2,000	-	2,000	-	2,000
Young Adult and Youth Programs	-	-	2,000	-	2,000	-	2,000
Outdoor Ministries	-	-	45,000	-	45,000	-	45,000
Capital Assets	-	-	-	-	-	62,411	62,411
General Operations	-	7,961	-	-	7,961	-	7,961
Staff Compensation and Benefits	62,559	169,697	13,204	164,557	410,017	101,749	511,766
Travel and Other Professional Expenses	2,534	9,623	222	17,590	29,970	3,774	33,744
Contract Services	-	-	-	-	-	51,193	51,193
Office Operations	1,876	14,424	785	9,306	26,391	18,746	45,137
Building Expenses and Related Depreciation	2,010	38,871	1,470	7,598	49,949	41,621	91,570
	<u>\$ 694,302</u>	<u>\$ 346,790</u>	<u>\$ 64,681</u>	<u>\$ 227,438</u>	<u>\$ 1,333,212</u>	<u>\$ 279,494</u>	<u>\$ 1,612,706</u>

The accompanying notes are an integral part of these financial statements.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Statements of Cash Flows**

	For the years ended January 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (409,721)	\$ (107,731)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	27,762	24,264
Unrealized loss (gain) on investments	95,769	(18,320)
Realized loss (gain) on sale of investments	32,578	(25,736)
Loss on administration facility improvements disposal	-	23,297
Changes in operating assets and liabilities:		
Prepaid expenses	35,612	(36,165)
Accounts payable	(334)	(5,371)
Accrued expenses	6,978	(3,024)
Funds held for others	(15,224)	(23,209)
Net cash used in operating activities	(226,580)	(171,995)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(778,066)	(155,123)
Proceeds from sales of investments	830,528	73,436
Purchases of administration facility improvements	(175,691)	(91,405)
Net cash used in investing activities	(123,229)	(173,092)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(349,809)	(345,087)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	518,461	863,548
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 168,652	\$ 518,461

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2023 and 2022**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Northeastern Ohio Synod of the Evangelical Lutheran Church in America (the "Synod") is presented to assist in understanding the Synod's financial statements. The financial statements and notes are representations of the Synod's management, who is responsible for their integrity and objectivity.

Organization Activity - The Synod is a regional religious organization located in Northeast Ohio which receives contributions from 158 congregations and other sources. Some of the funds received are forwarded to the Evangelical Lutheran Church in America ("ELCA"). The remaining funds not forwarded to the ELCA are used to support synodical ministries.

Tax Status - The Synod is exempt from income taxes applicable provisions of Section 501(c)(3) of the Internal Revenue Code. There are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. No cash was paid for taxes on unrelated business income during the years ended January 31, 2023 and 2022.

Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Synod and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets for the general operations and not subject to donor restrictions. The Synod Council has designated, from net assets without donor restrictions, net assets for a specific use. These uses are:

Capital Assets - Established as a reserve to be used for major items that are capitalized in accordance with Synod asset policies, as an identifiable source for such expenditures. Funded by a combination of transfers from the operating budget or transfers from other funds.

Bishop's Discretionary Fund - Established for confidential assistance at the sole discretion of the bishop. Funded when needed from the operating budget.

New Bishop Installation - Established as a carryover fund from the current year's budget to be used for the Bishop Installation ceremony.

Staff Education - Established in accordance with Synod Personnel Policy for carryover funds accrued by staff members for continuing education.

Budget Deficits and Projects - Established by Synod council to identify encumbered funds to clearly identify the ability of the Synod to support deficit operating budgets, and to retain reserves against sudden pattern shifts in operating income or expense.

PNC Bank Investments - Established to record all the income and expenses related to the Synod portfolio managed by PNC Bank and offset economic fluctuations.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2023 and 2022**

Facility Upkeep - Established for significant building repairs and improvements that are not capitalized/depreciated. Funded through budget.

Congregational Vitality (Mission Development and Congregational Redevelopment FYE 1/31/22) - Established with unrestricted contributions from closing congregations and individuals for Synod development and redevelopment efforts.

New Mission Starts - Established to assist with the development of new missions within the Synod. Funded through budget.

Region 6 Archives - Escrow account established as a carryover fund from the operating budget which funds are earmarked for Capital University, Region 6 archival location, pending resolution of matters related to access and management.

Synod Assembly Carryover - Established as a carryover fund for future assemblies. Funded from any annual Synod Assembly surpluses and used to cover any annual Synod Assembly deficits.

New Bishop's Vision - Established to maintain 2015 one-time budget provision for Bishop's vision projects. Final funds used and account closed in 2021-2022.

LuTMA - Established to record receipts, expenses, and carryover related to events held in conjunction with the Lutheran Transition Ministry Association (formerly NALIP).

Youngstown City Ministries - Established by the Synod Council for metropolitan ministries in Youngstown. Funded with unrestricted gifts originating in the Youngstown area. Closed in 2021-2022.

Resource Center - Established with an unexpended Resource Center budget for future expenses of Resource Center operations. Closed to operations and acquisitions 2021-2022.

Parsons Bequest - Established by Synod Council with unrestricted bequest proceeds received from First Lutheran Church (Lorain). Transferred to Capital Assets, 2021-2022.

Covid-19 - The ELCA Churchwide Organization distributed funds beginning in 2020 through April 2021 to each of the 65 ELCA Synods. Based on needs identified by the Synods of congregations of essential need during the pandemic. The funds were received in eight incremental payments over two fiscal years. The Synod then distributed the funds to the identified congregations. Final funds from this grant and account were distributed in October 2021, and no further activity is anticipated. Closed in 2021-2022.

Mitchell Bequest - Established by Synod Council from unrestricted bequest proceeds received from Christ Lutheran Church (Avon). Transferred to Capital Assets, 2021-2022.

Afghan Refugee Response - Established by the council to receive collections submitted for pass-through distribution to agencies on behalf of the resettlement of Afghan refugees in the area of the Synod territory. The final funds were distributed, and the account closed in March 2023.

Professional Leaders' Retreat - Surplus funds carried over from former NEOS-separate rostered gatherings, prior to joint accounting in joint Ohio events.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2023 and 2022**

DEM Grant - Established as a year-to-year holding account for funds received from the ELCA in support of the work of the Director of Evangelical Mission. Disbursed quarterly to the operating budget as income.

Global Mission Travel (Formerly First, Fairport Harbor) - Established with proceeds from dissolution of First Evangelical Lutheran Church (Fairport Harbor) and allocated by Synod Council, with earnings used for global mission travel scholarships. Reclassified, then allocation was removed by Synod Council as of January 31, 2022.

Lutheran Youth Organization - During 2021-2022, the separate Lutheran Youth Organization checking account was closed, and the Synod now acts as an agent for the organization for the receipt of income and the processing of payments.

Dandelion Gifts/Grants - Established by the Synod Council for Dandelion ministries. Funded with unrestricted gifts.

Dandelion Participant Payments - Established for accumulating participant payments for coaching and meeting expenses. The participant payments are funded by Dandelion Gifts/Grants and Congregation Vitality.

Anchor Church - Established to assist with costs to reorganize congregations to improve local Congregational Vitality. Funded from budget.

OH Rostered Minister Gathering - Established to assist with costs of boundaries workshops for rostered leaders of the Synod. Funded from budget.

Sleasman Art - Established a fund to accept donations for the John Sleasman artwork installment and any funds remaining after the purchase to be donated to a charity of Mr. John Sleasman's choice.

Net Assets With Donor Restrictions - Net assets subject to donor-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 the resources be maintained in perpetuity.

The Synod reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire 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. The net assets with donor restrictions include:

Elderly Persons' Assistance Fund - Established with bequest and allocated by Synod Council, earnings are used for the care and assistance of elderly people. Allocation was removed as of January 31, 2022.

Disabled Children's Fund - Established with bequest and allocation by Synod Council, earnings are used for the care and assistance of physically and mentally handicapped children. Allocation was removed as of January 31, 2022.

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America
Notes to the Financial Statements
January 31, 2023 and 2022**

Resource Center Acquisitions - Established for contributions restricted for Resource Center acquisitions.

Mideast Task Force Program - Established by individual contributors for use of Mideast task force to provide Synod programs. Funds disbursed and closed, February 2023.

Eastern Conference Seminarians Funds - Established with contributions to support seminarian education for Eastern Conference students.

Gratzer Ecumenism Fund - Established as a fund by individual contributors, with earnings used for ecumenical work of the Synod.

Book of Faith - Established with funding from ELCA Churchwide for Book of Faith project. Closed 2021-2022.

Cleveland West Conference - Established by individual contributors for program expenses of Cleveland West Conference. Closed 2022-2023.

Small Town and Rural - Established with contributions for programs supporting Small Town and Rural Ministry.

Mission Development and Congregational Redevelopment - Established with contributions from congregations and individuals for Synod development and redevelopment efforts. Closed 2022-2023.

CSTeam - Established with restricted contributions to enable CSTeam to be self-supporting.

Area Ministry Task Force - Established for contributions and expenditures related to conference-level gatherings.

Campaign Fund - Established with contributions donated toward the costs of a proposed giving campaign.

Wellness Grants - Established with Portico wellness grants for Synod wellness projects.

CSTeam Assistance Fund - Established with the grant for financial assistance to congregations and individuals participating in the CSTeam program.

Lay Academy - Established with the grant for the proposed lay academy.

Stewardship Education - Established with contributions restricted for stewardship education.

Bishop's Discretionary Fund - Established for confidential assistance at the sole discretion of the bishop. Funded with restricted contributions.

Macedonia (Stewardship) - Established with ELCA grant for Synod stewardship activities. Closed 2022-2023.

Christian Education - Established with a bequest from proceeds received from Christ Lutheran Church (Avon).

ELCA Youth Gathering - Established as a carryover fund from ELCA grant during 2020-2023 to be used for the Lutheran Youth Gathering. Closed 2022-2023

**Northeastern Ohio Synod of the
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Global Mission Travel (Formerly First, Fairport Harbor) - Established with proceeds from the dissolution of First Evangelical Lutheran Church (Fairport Harbor) and allocated by Synod Council, with earnings used for global mission travel scholarships. Reclassified, allocation was removed by Synod Council as of January 31, 2022.

Congregational Vitality - Established with contributions from new and existing congregations and individuals to be used for development and redevelopment efforts.

Cash and Cash Equivalents - Cash equivalents are all highly liquid investments and deposits with maturities of three months or less when originally deposited or purchased. The carrying amount of cash equivalents (cost) approximates the fair value of such assets.

Investments - The Synod carries its investment fund at fair value and reflects the changes in unrealized appreciation or depreciation in the statement of activities.

The specific identification method is used in determining gains or losses realized from the sale of investments from the fund.

Property, Equipment, and Furniture - Fixed assets purchased are recorded at cost and those donated are recorded at fair market value at the date of gift. Upon disposal, the cost and accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in changes in net assets. Expenditures for routine maintenance, repairs, and renewals are charged to expense as incurred, whereas betterments and improvements that extend the useful lives of the assets are capitalized. Depreciation is computed on the straight-line method using the following lives for each asset classification:

Property, equipment, and furniture	3 - 39 years
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Functional Allocation of Expenses - The costs of the program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited from specific identification. The expenses that are allocated include depreciation and office operations, which are allocated on a square footage basis, as well as salaries and wages and related expenses, which are allocated on the basis of estimates of time and effort.

Recently Issued Accounting Pronouncements - From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) and are adopted by the Synod as of the specified effective date. Unless otherwise discussed, the Synod believes that the impact of other recently issued accounting pronouncements will not have a material impact on the statements of financial position, statements of activities, and cash flows, or do not apply to the Synod’s operations.

REFERENCE RATE REFORM - In March 2020, the FASB issued guidance providing optional expedients and exceptions to account for the effects of reference rate reform to contracts, hedging relationships, and other transactions that reference the London Inter-bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued. This optional guidance became effective on March 12, 2020 and can be applied through December 31, 2024. The Synod has various contracts that reference LIBOR; however, as of the date the financial statements were available to be issued such contracts had not yet been modified for reference rate reform. The Synod is evaluating how this standard may be applied to specific contract modifications.

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Subsequent events - The Synod has evaluated subsequent events through October 23, 2023, the date that the Synod's annual financial statements were issued.

B. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets as of January 31	2023	2022
Cash	\$ 90,108	\$ 129,046
ELCA Mission Plus Fund	1,310	363,084
Money market funds	77,234	26,331
Government and agencies	212,717	269,421
Mutual funds	400,841	431,951
Corporate bonds	322,035	390,849
ELCA fund	424,442	449,906
Total financial assets	1,528,687	2,060,588
Less financial assets not available		
Funds held for others	63,514	78,738
Net assets designated by Synod council	993,621	1,429,605
Net assets with donor restrictions	309,383	356,194
Total financial assets not available	1,366,518	1,864,537
Net financial assets available to meet general expenditures within one year	\$ 162,169	\$ 196,051

The Synod is substantially supported by contributions. The Synod manages its liquidity and reserves following three guiding principles: operating programs within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

C. CONCENTRATIONS OF CREDIT RISK

The Synod maintains its commercial deposits with a local financial institution. Commercial deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. From time to time, the cash balances on deposit may exceed the FDIC insured limits. To date, the Synod has not experienced any losses in such account and believes it is not exposed to any significant credit risk on its cash deposits.

D. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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The three levels of the fair value hierarchy under this standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Synod has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

Corporate Bonds and Government and Agencies: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ("NAV") of shares held at year-end.

ELCA pooled fund: Market values of units held in the ELCA pooled fund are determined daily by the ELCA based upon the initial value assignment, the NAV of the mutual fund investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Synod believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following tables are set forth by level, within the fair value hierarchy, the Company's assets at fair value as of January 31, 2023 and 2022.

Assets at fair value as of January 31, 2023				
	Level 1	Level 2	Alternative Investments Measured at NAV	Total
Government and agencies	\$ 212,717	\$ -	\$ -	\$ 212,717
Corporate Bonds	322,035	-	-	322,035
Fixed Maturities	534,752	-	-	534,752
Equity Mutual Funds	400,841	-	-	400,841
ELCA pooled fund	-	-	424,442	424,442
Investments at fair value	\$ 935,593	\$ -	\$ 424,442	\$ 1,360,035

Assets at fair value as of January 31, 2022				
	Level 1	Level 2	Alternative Investments Measured at NAV	Total
Government and agencies	\$ 269,421	\$ -	\$ -	\$ 269,421
Corporate Bonds	390,849	-	-	390,849
Fixed Maturities	660,270	-	-	660,270
Equity Mutual Funds	431,951	-	-	431,951
ELCA pooled fund	-	-	449,906	449,906
Investments at fair value	\$ 1,092,221	\$ -	\$ 449,906	\$ 1,542,127

E. FUNDS HELD FOR OTHERS

Contributions that are designated for specific organizations or ministries not administered by the Synod are recorded as a current liability until forwarded to the proper organization or agency. The Synod's policy is to distribute the contributions on a monthly basis.

F. ELCA CHURCHWIDE PARTICIPATION

The percentage of participation of the Synod in ministry through the ELCA to the net unrestricted mission support contributions received for the year ended January 31, 2022 was approximately 47.5%. Net unrestricted mission support contributions received for the year ended January 31, 2023 was approximately \$550,000.

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G. PENSION AND BENEFIT PLANS

All eligible employees of the Synod are covered by various defined contribution pensions and other benefit plans administered by the ELCA. The Synod's expense for these plans was approximately \$174,000 and \$158,000 during the years ended January 31, 2023 and 2022, respectively.

H. DONATED SERVICES

The Synod receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because the criterion for recognition of such volunteer effort under the standard for GAAP has not been satisfied.

SUPPLEMENTARY INFORMATION

**Northeastern Ohio Synod of the
Evangelical Lutheran Church in America**
**Schedule of Changes in Net Assets Without Donor Restrictions - Council Designated
and Net Assets With Donor Restrictions**

For the year ended January 31, 2023

	Balance February 1, 2022	Additions	Deductions	Balance January 31, 2023
NET ASSETS WITHOUT DONOR RESTRICTIONS-				
COUNCIL DESIGNATED:				
Capital Assets	\$ 172,106	\$ 4,923	\$ 175,692	\$ 1,337
Bishop's Discretionary Fund	5,091	-	3,054	2,037
Staff Education	4,650	3,500	1,259	6,891
Budget Deficits and Projects	246,285	135,392	134,892	246,785
PNC Bank Investments	683,654	205,019	425,668	463,005
Facility Upkeep	6,176	21,000	13,897	13,279
Congregational Vitality	149,440	56,206	15,750	189,896
New Mission Starts	56,206	-	56,206	-
Region 6 Archives	9,867	7,400	-	17,267
Synod Assembly Carryover	12,611	-	5,196	7,415
LuTMA	1,309	-	-	1,309
Dandelion Participant Payments	4,018	31,494	35,512	-
Dandelion Gifts/Grants	10,000	-	10,000	-
Anchor Church	4,250	14,000	10,750	7,500
OH Rostered Minister Gathering	7,727	30	7,757	-
Afghan Refugee Response	18,075	2,975	20,710	340
Professional Leaders' Retreat	4,439	-	3,280	1,159
(Formerly First, Fairport Harbor)	27,914	-	600	27,314
Lutheran Youth Organization	5,787	2,250	-	8,037
Bldg Culture of Generosity	-	2,479	2,479	-
Sleasman Art	-	50	-	50
DEM Grant	-	10,000	10,000	-
	<u>1,429,605</u>	<u>496,718</u>	<u>932,702</u>	<u>993,621</u>

**Northeastern Ohio Synod of the
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**Schedule of Changes in Net Assets Without Donor Restrictions - Council Designated
and Net Assets With Donor Restrictions**

For the year ended January 31, 2023

	Balance February 1, 2022	Additions	Deductions	Balance January 31, 2023
NET ASSETS WITH DONOR RESTRICTIONS:				
Elderly Persons' Assistance Fund	112,463	-	-	112,463
Disabled Children's Fund	97,231	-	20,000	77,231
Resource Center Acquisitions	1,260	2,719	1,383	2,596
Mideast Task Force Program	7,278	-	7,278	-
Eastern Conference Seminarians	33	-	-	33
Gratzer Ecumenism Fund	15,249	-	-	15,249
Cleveland West Conference	213	1	214	-
Small Town and Rural	1,679	-	-	1,679
Mission Development and Congregational Redevelopment	56,609	15,909	72,518	-
CSTeam	4,576	800	490	4,886
Area Ministry Task Force	2,714	-	-	2,714
Campaign Fund	6,872	-	-	6,872
Wellness Grants	9,929	-	1,530	8,399
CSTeam Assistance Fund	6,257	2,850	-	9,107
Lay Academy	3,000	-	-	3,000
Stewardship Education	810	-	-	810
Macedonia (Stewardship)	2,016	-	2,016	-
Christian Education	28,005	-	15,519	12,486
Congregational Vitality	-	82,310	30,960	51,350
Bishop's Discretionary Fund	-	650	142	508
	<u>356,194</u>	<u>105,239</u>	<u>152,050</u>	<u>309,383</u>
Total Changes in Net Assets Without Donor Restrictions -Council Designated and Net Assets With Donor Restrictions	<u>\$ 1,785,799</u>	<u>\$ 601,957</u>	<u>\$ 1,084,752</u>	<u>\$ 1,303,004</u>

**Northeastern Ohio Synod of the
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**Schedule of Changes in Net Assets Without Donor Restrictions - Council Designated
and Net Assets With Donor Restrictions**

For the year ended January 31, 2022

	Balance February 1, 2021	Additions	Deductions	Balance January 31, 2022
NET ASSETS WITHOUT DONOR RESTRICTIONS-				
COUNCIL DESIGNATED:				
Capital Assets	\$ 19,616	\$ 254,635	\$ 102,145	\$ 172,106
Bishop's Discretionary Fund	6,684	-	1,593	5,091
New Bishop Installation	7,500	-	7,500	-
Staff Education	6,000	3,530	4,880	4,650
Budget Deficits and Projects	126,944	218,327	98,986	246,285
PNC Bank Investments	609,259	198,740	124,345	683,654
Facility Upkeep	21,810	6,269	21,903	6,176
Mission Development and Congregational Redevelopment	149,940	-	500	149,440
New Mission Starts	54,216	2,500	510	56,206
Region 6 Archives	2,467	7,400	-	9,867
Youngstown City Ministries	5,404	-	5,404	-
Resource Center	973	-	973	-
Synod Assembly Carryover	10,321	2,290	-	12,611
New Bishop's Vision	6,233	-	6,233	-
LuTMA	1,309	-	-	1,309
Parsons Bequest	126,496	-	126,496	-
Covid-19	-	5,250	5,250	-
Mitchell Bequest	33,567	-	33,567	-
Dandelion Participant Payments	-	5,000	982	4,018
Dandelion Gifts/Grants	-	10,000	-	10,000
Anchor Church	-	25,000	20,750	4,250
OH Rostered Minister Gathering	-	12,175	4,448	7,727
Afghan Refugee Response	-	18,075	-	18,075
Professional Leaders' Retreat	-	4,439	-	4,439
DEM Grant	-	10,000	10,000	-
(Formerly First, Fairport Harbor)	-	27,914	-	27,914
Lutheran Youth Organization	-	5,787	-	5,787
	<u>1,188,739</u>	<u>817,331</u>	<u>576,465</u>	<u>1,429,605</u>

**Northeastern Ohio Synod of the
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**Schedule of Changes in Net Assets Without Donor Restrictions - Council Designated
and Net Assets With Donor Restrictions**

For the year ended January 31, 2022

	Balance February 1, 2021	Additions	Deductions	Balance January 31, 2022
NET ASSETS WITH DONOR RESTRICTIONS:				
Elderly Persons' Assistance Fund	118,784	9,179	15,500	112,463
Disabled Children's Fund	109,046	8,185	20,000	97,231
Resource Center Acquisitions	83	1,312	135	1,260
Mideast Task Force Program	7,278	-	-	7,278
Eastern Conference Seminarians	33	-	-	33
Gratzer Ecumenism Fund	14,086	1,163	-	15,249
Book of Faith	1,223	-	1,223	-
Cleveland West Conference	213	-	-	213
Small Town and Rural	1,679	-	-	1,679
Mission Development and Congregational Redevelopment	83,786	27,965	55,142	56,609
CSTeam	3,851	725	-	4,576
Area Ministry Task Force	2,714	-	-	2,714
Campaign Fund	6,872	-	-	6,872
Wellness Grants	10,349	-	420	9,929
CSTeam Assistance Fund	6,257	-	-	6,257
Lay Academy	3,000	-	-	3,000
Stewardship Education	810	-	-	810
Bishop's Discretionary Fund	181	-	181	-
Macedonia (Stewardship)	2,016	-	-	2,016
Christian Education	33,567	-	5,562	28,005
(Formerly First, Fairport Harbor)	25,783	-	25,783	-
ELCA Youth Gathering	250	-	250	-
	<u>431,861</u>	<u>48,529</u>	<u>124,196</u>	<u>356,194</u>
Total Changes in Net Assets Without Donor Restrictions - Council Designated and Net Assets With Donor Restrictions	<u>\$ 1,620,600</u>	<u>\$ 865,860</u>	<u>\$ 700,661</u>	<u>\$ 1,785,799</u>

**Northeastern Ohio Synod of the
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Schedules of Expenses Without Donor Restrictions**

	Years Ended January 31,	
	2023	2022
MISSION SUPPORT:		
Churchwide:		
ELCA	\$ 550,056	\$ 581,823
Total Churchwide mission support	550,056	581,823
Regional ELCA Ministry Support:		
Trinity Seminary	15,000	15,500
Lutheran Outdoor Ministries of OH	48,750	45,000
Colleges and Universities	10,000	-
Regional Office Operation	7,400	7,400
Total Regional ELCA Ministry Support	81,150	67,900
Ecumenical Support:		
Ohio Council of Churches	375	750
Total Ecumenical Support	375	750
Social Ministry Organizations:		
Social Ministry Organizations	12,000	8,000
Total Social Ministry Organizations	12,000	8,000
Support of Students:		
Undergraduate Scholarships - Minorities	1,000	1,500
Financial Aid to Seminarians	5,000	4,500
Inclusive Ministry Scholarships	875	500
Total Support of Students	6,875	6,500
Support of Cong. Mission:		
New Mission Starts	-	2,000
Lutheran Youth Organization	2,000	2,000
Total Support of Cong. Mission	2,000	4,000
Less net assets designated by Synod Council	-	(2,000)
Total Support of Cong. Mission	2,000	2,000
TOTAL MISSION SUPPORT	\$ 652,456	\$ 666,973

**Northeastern Ohio Synod of the
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Schedules of Expenses Without Donor Restrictions**

	Years Ended January 31,	
	2023	2022
PROGRAMS & COMMITTEES:		
Support Through Programs:		
Worship Programs	\$ 1,625	\$ 1,100
Conference Deans	12,800	7,125
CRTeam Coordination	13,993	10,833
	28,418	19,058
Leadership Support & Care:		
Candidacy Program	3,123	3,500
Candidacy Coordination	76	169
Care of Rostered Persons	50	2,161
Other Leadership Programs	120	300
	3,369	6,130
Committee Expenses:		
Synod Council	225	561
Total Committee Expenses	225	561
Synod Liturgies and Programs:		
Special Liturgies and Programs	-	62
Total Synod Liturgies and Programs	-	62
TOTAL PROGRAMS & COMMITTEES	\$ 32,012	\$ 25,811
ADMINISTRATIVE EXPENSES:		
Building expenses and related depreciation	\$ 84,345	\$ 75,564
Facility upkeep	21,000	7,611
Office operations	41,351	43,925
Depreciation expense - office building	26,839	23,803
Depreciation expense - furniture and equipment	923	462
Loss on administration facility improvements disposal	-	(23,297)
Contract services	33,205	51,193
Staff compensation and benefits	613,671	547,507
	821,334	726,768
Less net assets designated by Synod council	-	(7,270)
TOTAL ADMINISTRATIVE EXPENSES	\$ 821,334	\$ 719,498
TOTAL EXPENSES WITHOUT DONOR RESTRICTIONS	\$ 1,505,802	\$ 1,412,282