

**West Virginia - Western Maryland Synod of the
Evangelical Lutheran Church in America**

AUDITED FINANCIAL STATEMENTS

For Fiscal Year Ending January 31, 2016

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Evangelical Lutheran Church in America
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August 6, 2021

To the Management of
The West Virginia - Western Maryland Synod of the
Evangelical Lutheran Church in America
Morgantown WV 26505

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the West Virginia Maryland Synod of the Evangelical Lutheran Church in America. (a nonprofit organization), for the fiscal year ending January 31, 2016 which comprise the Statement of Net Position, and the related statements of activities - and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audits. I have conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the Net Position of the West Virginia - Western Maryland Synod. as of January 31, 2016 and its Statement of Activities and its cash flows for the years then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

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.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of state grant receipts and expenditures 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Jeffery S. Hollifield, CPA

Hollifield & Associates, AC
Princeton, WV 24740
August 6, 2021

**WEST VIRGINIA - WESTERN MARYLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION
January 31, 2016**

| ASSETS | 2016 |
|--|------------|
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 154,212 |
| Prepaid Expenses | 5,400 |
| Total Current Assets | 159,612 |
| RESTRICTED ASSETS | |
| Cash and Cash Equivalents | 85,411 |
| Beneficial Interest in Perpetetual Endowment | 38,234 |
| Total Restricted Assets | 123,645 |
| PROPERTY AND EQUIPMENT | |
| Furniture and Equipment | 4,038 |
| Transportation - Synod Auto | 23,590 |
| Less Accumulated Depreciation | (14,928) |
| Total Restricted Assets | 12,700 |
| OTHER ASSETS | |
| Investments (at fair market) | 40,097 |
| Investments (At Cost) | 114,852 |
| Total Capital Assets | 154,949 |
| TOTAL ASSETS | \$ 450,906 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Payroll Taxes & Accounts Payable | \$ 22,283 |
| Deferred Support | 861 |
| Total Current Liabilities | 23,144 |
| TOTAL LIABILITIES | 23,144 |
| NET ASSETS | |
| Restricted | 123,645 |
| Unrestricted | 304,117 |
| Total Net Assets | 427,762 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 450,906 |

The notes to financial statements are an integral part of this statement.

**WEST VIRGINIA - WESTERN MARYLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
For the Period Ending January 1, 2016**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Mission Support | \$ 449,623 | \$ 33,868 | \$ 483,491 |
| Other Program Support | 2,140 | 21,189 | 23,329 |
| Assembly and other Events | - | 55,162 | 55,162 |
| Investment Income | 14,364 | 9,981 | 24,345 |
| Unrealized Gains and (Losses) on Investments | 1,422 | 3,119 | 4,541 |
| Change in Value of Perpetual Trust | - | 326 | 326 |
| Net Assets Released from Restriction | 105,247 | - | 105,247 |
| Total Support and Revenue | 572,796 | 123,645 | 696,441 |
| EXPENSES | | | |
| Mission Support | 168,476 | - | 168,476 |
| ELCA Churchwide Mission | 78,960 | - | 78,960 |
| Other Mission Support | 76,603 | - | 76,603 |
| Other Program Support | 27,105 | - | 27,105 |
| Assembly and Other Events | 48,181 | - | 48,181 |
| Support Services | - | - | - |
| Salaries and Benefits | 176,293 | - | 176,293 |
| Administrative Expenses | 51,491 | - | 51,491 |
| Depreciation Expense | 4,718 | - | 4,718 |
| Total Expenses | 631,827 | - | 631,827 |
| INCREASE (DECREASE) IN NET ASSETS | \$ (59,031) | \$ 123,645 | \$ 64,614 |
| Net Assets at beginning of year | \$ 363,148 | | \$ 363,148 |
| NET ASSETS AT END OF YEAR | \$ 304,117 | \$ 123,645 | \$ 427,762 |

The notes to financial statements are an integral part of this statement.

**WEST VIRGINIA - WESTERN MARYLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
For Year Ended January 31, 2016**

| | 2016 |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net Increase (Decrease) in Net Assets | \$ 32,925 |
| Net Increase (Decrease) in Payable Liabilities | 761 |
| Depreciation Expense | 456,834 |
| Net Cash Provided by Operating Activities | 490,520 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Increase (Decrease) in Notes Payable | (106,452) |
| Net Cash Provided by Financing Activities | (106,452) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Payments for property and equipment | (709,400) |
| (Increase) Decrease in Investments | (2) |
| Net Cash Provided by Investing Activities | (709,402) |
| Net increase (decrease) in cash and cash equivalents | (325,334) |
| Cash and Cash Equivalents at Beginning of Year | 1,189,673 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 864,339 |
| Supplemental Information: | |
| Interest paid | \$ 157,383 |

The notes to financial statements are an integral part of this statement.

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. ORGANIZATION

The Synod is a non-profit organization and is a member organization of the Evangelical Lutheran Church in America (ELCA). The ELCA was formed as a result of a merger among the Lutheran Church in America, the American Lutheran Church, and The Association of Evangelical Lutheran Churches. The Synod is organized to operate exclusively for religious purposes and is to promote the Christian religion according to the tenets of faith set forth in the Constitution of the ELCA. Using ministry support and special offers received from its member churches, the Synod contributes to denominational ministries and provides support for various missions, educational programs, and youth outreach. The Synod currently services over sixty congregations located primarily in West Virginia and Western Maryland.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Synod maintains its financial accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives specified.

In the accompanying financial statements, funds are reported in the statements of financial position and activities according to two classes of assets: unrestricted net assets, and restricted net assets of the Synod.

Unrestricted, undesignated net assets - This class is used to account for the portion of expendable funds that are available for support of the Synod's general operations.

Unrestricted net assets - This class is used to account for the portion of expendable funds that the Synod's council has designated for specific purposes including a Synod health and wellness fund, seminarian scholarships fund, Bishop's discretionary fund, annual assembly music fund, and a vehicle replacement fund.

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Synod considers cash and certificates of deposit with original maturities of three months or less to be cash and cash equivalents. Demand accounts held with the ELCA Mission Investment Fund and temporary cash funds held in investment custodian accounts are excluded from cash and cash equivalents.

Investments

Investments in marketable debt and equity securities with readily determinable fair values are measured at fair value. Certain other investments in nonmarketable securities are reported at cost. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets on the Statement of Activities, unless the income or loss is restricted by donor or law.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

In accordance with FASB ASC 958-310, *Not-for-Profit Entities: Receivables*, an unconditional promise to give is a written or oral agreement to contribute money or assets to the Foundation in which there are minimal stipulations placed upon the Foundation for the benefit of the contributed amounts. Contribution's receivable arising from unconditional promises to give that are expected to be collected in less than one year are recorded at net realizable value in accordance with FASB ASC 958-605-30, *Not-for-Profit Entities: Revenue Recognition: Initial Measurement*.

Gifts In-kind

Donated marketable securities and other noncash items are recorded as contributions at their fair values on the date of donation. Donated assets or use of assets are reflected as contributions in the accompanying statements at their estimated fair value on the date of receipt or over the period of use. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Synod. Volunteers have donated significant amounts of time for the Synod's programs that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

Beneficial Interest in Perpetual Trust

The Synod is the beneficiary of a perpetual irrevocable trust held and administered by independent trustees. Under the terms of the trust, the Synod has the irrevocable right to receive the income earned on trust assets in perpetuity. The fair value of the beneficial interest in the trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The Synod's estimate of fair value at each reporting date is based on fair value information received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to control or direction by the Synod. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of perpetual trust in the statement of activities. Distributions from the trust are recorded as investment income in the year received.

Furnishings and Equipment

The Synod capitalizes all material expenditures for furnishings and equipment at cost or, if donated, at the fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of five to seven years. Depreciation expense was \$4,718 for the year ended January 31, 2016.

Benevolence Payable

This liability consists of funds that are sent to the Synod from member churches that are designated for various ministries. The Synod acts as a pass-through entity and as such, no revenues or associated expenses are recorded.

Income Tax Status

The Internal Revenue Service has issued a Group Exemption Letter to the ELGA, which includes the Synod as part of the group. Inclusion in the group exception establishes that the Synod is exempt from federal and state income tax under Section 501 (c) 3 of the Internal Revenue Code and is not a private foundation as defined in Code Section 509(a). Accordingly, no provision for income taxes has been made in the financial statements. The Synod believes that it has no uncertain tax positions that are material to the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

Related Party Transactions

The accompanying financial statements include the assets, liabilities, net assets, and financial activities of the Synod as a separate and distinct entity in relation to congregations, related institutions and agencies, and the church-wide agencies of the ELGA. These are separate and distinct legal entities with their own accounting systems for providing budgetary and financial information. A significant portion of the Synod's revenue, support, and expenses are received from and disbursed to these separate but related entities.

NOTE 3. DEPOSITS AND INVESTMENTS

The Synod maintained its cash and cash equivalents at one financial institution located in the Fairmont, West Virginia as of January 31, 2016. The bank balance of \$56,831 was fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments reported at fair market value consist of mutual funds, equity securities, and money market funds. These investments are presented at fair value using quoted market values as of January 31, 2016. The Synod also invests in the following fund:

ELCA Endowment Fund Pooled Trust - The Fund is available for exclusive investment by ELGA-related institutions. The primary investment objective of the Fund is to provide for long-term capital growth. The Fund seeks to achieve its investment objectives by investing in a diversified portfolio of equity, bond, and real estate securities. Funds invested in the Endowment Pooled Trust Fund are unsecured. These investments are uninsured and are reported at fair value using the Synod's own assumptions about the factors market participants would use in pricing an investment.

Investments reported at cost consist of certain fixed-term demand accounts held with the Mission Investment Fund of the ELGA.

Mission Investment Fund - Funds invested in the Mission Investment Fund of the ELGA are unsecured. These investments, which are available to entities associated with the ELGA, are uninsured and are not readily marketable, and reported at cost on the statement of financial position. The cost of nonmarketable securities at January 31, 2016 was \$97,380. These investments include accounts with demand deposit characteristics as well as securities with maturities up to two years. They earn interest at rates ranging from .50% to 1.00%.

Investment Risk

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect account balances and the amounts reported in the statement of activities for the Synod. The funds held with the Mission Investment Fund represent a significant concentration.

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

The following is a summary of investments reported at fair value for the year ended January 31, 2016:

| Security | <u>Cost</u> | <u>Fair Value</u> | Unrealized Appreciation/ (Depreciation) |
|-----------------------------|-------------------|-------------------|---|
| Money Market Funds | \$ 3,663 | \$ 3,663 | \$ |
| Mutual Funds | 62,137 | 94,116 | 31,979 |
| Equity Securities | 2,003 | 1,994 | (9) |
| ELCA Endowment Pooled Trust | 59,929 | 59,337 | (591) |
| | <u>\$ 127,732</u> | <u>\$ 159,110</u> | <u>\$ 31,378</u> |

NOTE 4. OPERATING LEASES

The Synod has two non-cancelable operating leases. The Synod leases its office facility. The ten year lease expires January 31, 2018, and currently is \$1,167 per month. The rent increases annually by 5% or by the US City Average CPI-U, whichever is lower. The Synod also leases a copier. The five- year lease expired December 22, 2014 and has minimum ongoing monthly payments of \$210. Rental expenses for those leases consisted of \$16,528 for the year ended January 31, 2016.

Future minimum lease payments under these operating leases are:

| <u>Year Ending January 31,</u> | Amount |
|--------------------------------|------------------|
| 2016 | \$ 14,004 |
| 2017 | 14,004 |
| 2018 | 14,004 |
| 2019 | 0 |
| | <u>\$ 42,012</u> |

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. UNRESTRICTED NET ASSETS

Designated net assets as of January 31, 2016 consist of the following:

| | | |
|---|----|--------|
| HHB Checking | \$ | 56,832 |
| General Savings Mission Plus and MIF CD | | 97,779 |

| | |
|--------------------------------|----------------|
| Total unrestricted, net assets | <u>145,963</u> |
|--------------------------------|----------------|

NOTE 6. RESTRICTIONS ON NET ASSETS

Restricted net assets as of January 31, 2016 are available for the following purposes:

| | |
|---------------------|---------------|
| Restricted Checking | 48,583 |
| Restricted Savings | <u>36,828</u> |
| Total Restricted | 85,411 |

Permanently restricted net assets as of January 31, 2016 are available for the following purposes:

| | | |
|---|----|--------|
| Lay Worships Assistant Training | \$ | 25,085 |
| Beneficial Interest in perpetual trust | | 13,149 |
| Total temporarily restricted net assets | \$ | 38,234 |

NOTE 7. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**WEST VIRGINIA WESTERN MARYLAND SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

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 on a recurring basis. There have been no changes in the methodologies used at January 31, 2015.

Equity securities and mutual funds: The fair value of equity securities and mutual funds classified as Level 1 has been measured by reference to quoted market prices.

ELGA Endowment Pooled Trust Fund: The fair values of assets in this category, classified as Level 2, have observable inputs and market activity that allow for pricing based on the underlying market prices of the securities in the Trust.

Beneficial interest in Perpetual Trusts: The fair values of assets in this category, classified as Level 2, are determined using the fair value of the assets held in trust. The fair value of assets held in trust has been measured by reference to quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

Asset Fair Values as of January 31, 2016

| | Level 1 | Level 2 | Level3 | <u>Total</u> |
|---------------------------------------|-----------|-----------|--------|--------------|
| Equity Securities - Financial | \$ 1,994 | \$ | \$ | \$ 1,994 |
| Prime Money Market Funds | 2,434 | | | 2,434 |
| Mutual Funds - Balanced | 94,946 | | | 94,946 |
| ELCA Endowment Pooled Trust | | 48,583 | | 48,583 |
| Beneficial Interest - Perpetual Trust | | 13,149 | | 13,149 |
| Total Assets at Fair Value | \$ 99,374 | \$ 61,732 | \$ - | \$ 161,106 |

NOTE 8. RETIREMENT PLAN

The Synod participates in a defined contribution retirement plan with Portico Investment Services (formerly the Board of Pensions of the ELCA). The plan covers substantially all employees. Employees may elect to defer additional amounts subject to limitation. The total retirement cost paid to the Plan by the Synod was \$16,978 for the year ended January 31, 2016.

NOTE 9. MANAGEMENT'S REVIEW

In accordance with FASB ASC 855, *Subsequent Events*, events and transactions subsequent to January 31, 2016 through the report date, have been evaluated by the Organization's management for possible disclosure in the financial statements. Management has not identified any subsequent events through the report date, which is the date the financial statements were available to be issued.