

**THE FLORIDA-BAHAMAS SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
AND AFFILIATES**

**Combined Financial Statements**

**January 31, 2022 and 2021  
(With Independent Auditors' Report Thereon)**

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

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## **Independent Auditors' Report**

The Synod Council Members  
The Florida-Bahamas Synod of the Evangelical Lutheran  
Church in America and Affiliates:

### **Opinion**

We have audited the combined financial statements of The Florida-Bahamas Synod of the Evangelical Lutheran Church in America and Affiliates (collectively, the “Synod”) which comprise the combined statements of financial position as of January 31, 2022 and 2021, and the related combined statements of support and revenue, expenses and other changes in net assets without donor restrictions, changes in net assets and cash flows for the years then ended, the related combined statement of functional expenses for the year ended January 31, 2022 and the related notes to the combined financial statements.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of The Florida-Bahamas Synod of the Evangelical Lutheran Church in America and Affiliates as of January 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended January 31, 2022, 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 (“GAAS”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Combined 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 Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 for one year after the date that these combined financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

## **Report on Summarized Comparative Information**

We have previously audited the Florida-Bahamas Synod of the Evangelical Lutheran Church in America and Affiliates' 2021 combined financial statements and our report dated June 2, 2021 expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein for the year ended January 31, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Mayer Hoffman McCann P.C.*

May 17, 2022  
St. Petersburg, Florida

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Combined Statements of Financial Position**

**January 31, 2022 and 2021**

<b>Assets</b>	<u><b>2022</b></u>	<u><b>2021</b></u>
Current assets:		
Cash and cash equivalents (Note 9)	\$ 9,922,951	1,188,286
Accounts receivable	3,218	-
Current portion of notes receivable (Note 6)	-	61,666
Prepaid expenses	<u>26,962</u>	<u>24,507</u>
Total current assets	9,953,131	1,274,459
Investments (Notes 2, 9 and 14)	2,700,124	2,663,107
Properties held for sale (Note 5)	1,950,000	11,450,000
Notes receivable, less current portion (Note 6)	79,051	67,236
Advances to Castle Church, less allowance for doubtful accounts of 109,449 in 2021	-	36,483
Property held for lease, net (Note 4)	579,162	597,650
Property and equipment, net (Note 3)	329,723	421,247
Other assets	<u>39</u>	<u>39</u>
	<u><u>\$ 15,591,230</u></u>	<u><u>16,510,221</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Apportionment payable to ELCA	\$ 201,698	201,291
Accounts payable and accrued expenses	72,751	120,548
Deposit liability	47,291	40,932
Refundable advances	<u>1,526,437</u>	<u>1,103,023</u>
Total current liabilities	1,848,177	1,465,794
Net assets:		
Without donor restrictions:		
Designated for Together in Mission	89,796	56,359
Designated for long-term purposes:		
Properties held for sale and for lease	2,529,162	12,047,650
Cash and investments	<u>9,725,487</u>	<u>1,481,142</u>
Total net assets without donor restrictions	12,344,445	13,585,151
With donor restrictions (Note 11)	<u>1,398,608</u>	<u>1,459,276</u>
Total net assets	13,743,053	15,044,427
Commitments and contingencies (Notes 8 and 10)		
Total liabilities and net assets	<u><u>\$ 15,591,230</u></u>	<u><u>16,510,221</u></u>

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Combined Statements of Support and Revenue, Expenses  
and Other Changes in Net Assets Without Donor Restrictions**

**For the Years Ended January 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Operating support and revenue:		
Public support:		
Covenant giving	\$ 2,064,166	2,102,968
Contributions	34,417	46,730
Federal grant under Paycheck Protection Program loan (Note 15)	-	174,795
Grants	541,523	486,083
	2,640,106	2,810,576
Revenue:		
Conference and event fees	40,055	12,688
Investment return (Note 2)	30,407	51,561
Rental income	13,341	11,348
Other income	38,362	29,529
	122,165	105,126
Net assets released from restrictions:		
Satisfaction of donor restrictions	484,340	405,907
Total operating support and revenue	3,246,611	3,321,609
Operating expenses:		
Program services	3,415,237	3,137,423
Supporting services	343,287	477,110
Total operating expenses	3,758,524	3,614,533
Change in net assets without donor restrictions from operations	(511,913)	(292,924)
Other changes:		
Property transfers (Note 5)	22,873	357,130
Recovery on claim settlement	-	25,544
Gain on sale of vehicle	9,536	-
Gain on sale of property held for sale, net	145,961	-
Non-operating grant paid to ELCA	(956,251)	-
Other income	49,088	-
Change in net assets without donor restrictions	\$ (1,240,706)	89,750

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Combined Statements of Changes in Net Assets**

**For the Years Ended January 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Total unrestricted operating support and revenue	\$ 2,762,271	2,915,702
Total unrestricted operating expenses	(3,758,524)	(3,614,533)
Property transfers	22,873	357,130
Recovery on claim settlement	-	25,544
Gain on sale of vehicle	9,536	-
Gain on sale of property held for sale, net	145,961	-
Non-operating grant paid to ELCA	(956,251)	-
Other income	49,088	-
Net assets released from restrictions	<u>484,340</u>	<u>405,907</u>
Change in net assets without donor restrictions	(1,240,706)	89,750
Net assets with donor restrictions:		
Contributions and grants	392,795	501,580
Investment return restricted by donor (Note 2)	30,877	30,271
Net assets released from restrictions	<u>(484,340)</u>	<u>(405,907)</u>
Change in net assets with donor restrictions	<u>(60,668)</u>	<u>125,944</u>
Change in net assets	(1,301,374)	215,694
Net assets at beginning of year	<u>15,044,427</u>	<u>14,828,733</u>
Net assets at end of year	<u><u>\$ 13,743,053</u></u>	<u><u>15,044,427</u></u>

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Combined Statement of Functional Expenses**

**For the Year Ended January 31, 2022  
(With Comparative Information for 2021)**

	Program Services	Supporting Services			Total Expenses	
		Management and General	Fund Raising	Total	2022	2021
Distributions to ELCA:						
Mission support	\$ 936,850	-	-	-	936,850	944,943
Regional support	14,745	-	-	-	14,745	15,245
	<u>951,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>951,595</u>	<u>960,188</u>
Personnel expenses:						
Salaries	705,799	85,567	1,829	87,396	793,195	758,649
Payroll taxes	19,313	5,817	114	5,931	25,244	29,733
Employee benefits	275,582	63,029	1,007	64,036	339,618	308,079
Total personnel costs	<u>1,000,694</u>	<u>154,413</u>	<u>2,950</u>	<u>157,363</u>	<u>1,158,057</u>	<u>1,096,461</u>
Grants to others	1,208,513	-	-	-	1,208,513	1,045,203
Conferences and meetings	15,060	2,653	-	2,653	17,713	18,914
Synod assembly	20,001	-	-	-	20,001	5,066
Professional fees	12,403	80,832	114	80,946	93,349	118,509
Occupancy	15,011	11,315	-	11,315	26,326	29,175
Insurance	35,839	2,718	-	2,718	38,557	33,498
Telephone	8,283	-	-	-	8,283	9,996
Equipment and software	17,578	2,800	-	2,800	20,378	18,944
Travel and continuing education	42,215	-	-	-	42,215	15,882
Office supplies and expense	7,108	741	-	741	7,849	10,848
Rental property expenses	12,918	-	-	-	12,918	11,759
Bad debt expense	-	79,052	-	79,052	79,052	184,811
Other	3,077	-	-	-	3,077	1,924
Total expenses before depreciation and amortization	<u>3,350,295</u>	<u>334,524</u>	<u>3,064</u>	<u>337,588</u>	<u>3,687,883</u>	<u>3,561,178</u>
Depreciation and amortization	<u>64,942</u>	<u>5,699</u>	<u>-</u>	<u>5,699</u>	<u>70,641</u>	<u>53,355</u>
Total expenses	<u>\$ 3,415,237</u>	<u>340,223</u>	<u>3,064</u>	<u>343,287</u>	<u>3,758,524</u>	<u>3,614,533</u>



**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Combined Statements of Cash Flows**

**For the Years Ended January 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ (1,301,374)	215,694
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	70,641	53,355
Realized and unrealized gains on investments	(9,113)	(5,022)
Gain on sale of vehicle	(9,536)	-
Gain on sale of property held for sale	(145,961)	-
Bad debt provision on notes and advance receivable	79,052	184,811
Decrease (increase) in accounts receivable	(3,218)	49,982
Decrease in other assets	-	3,500
Increase in prepaid expenses	(2,455)	(6,000)
Decrease in accounts payable and accrued expenses	(47,390)	(92,366)
Increase in deposit liability	6,359	14,352
Increase (decrease) in refundable advances	423,414	(292,110)
	(939,581)	126,196
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Collections on notes receivable	7,282	139,352
Advances paid under notes receivable	-	(2,898)
Advances paid to Castle Church	-	(96,465)
Reinvested interest, net of fees	(46,698)	(492)
Purchases of investments	(25,000)	(76,000)
Proceeds from sale of investments	43,794	-
Proceeds from sale of property held for sale	9,645,961	-
Purchases of property held for lease	-	(552)
Purchases of property and equipment	(1,199)	(285,727)
Proceeds from sale of vehicle	50,106	-
	9,674,246	(322,782)
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	8,734,665	(196,586)
Cash and cash equivalents at beginning of year	1,188,286	1,384,872
Cash and cash equivalents at end of year	\$ 9,922,951	1,188,286

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements**

**January 31, 2022 and 2021**

**(1) Description of Organization and Summary of Significant Accounting Policies**

**(a) Description of Organization**

The Florida-Bahamas Synod of the Evangelical Lutheran Church in America (“Synod”) is a nonprofit organization that constitutes the official body of the Evangelical Lutheran Church in America (“ELCA”) in the State of Florida and the Bahamas. The Synod’s primary purpose is to provide service and support to the Lutheran congregations and rostered ministers within its jurisdiction. The Synod’s primary source of revenue is covenant giving from the various congregations under its jurisdiction.

Florida-Bahamas Service Corp. (“Service Corp”) was incorporated in the State of Florida in 1991 to receive, manage, and dispose of property from congregations and former congregations of the Synod.

**(b) Financial Accounting Standards**

The Financial Accounting Standards Board (“FASB”) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (“GAAP”) - authoritative and non-authoritative - and making the Accounting Standards Codification (“ASC”) the source of authoritative, non-governmental GAAP. This guidance is incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

**(c) Principles of Combination**

The combined financial statements include the financial statements of the Synod and Service Corp. These entities are related through economic interest and the Synod’s direct and indirect ability to determine the direction of management. All significant intercompany balances and transactions have been eliminated in the combination.

**(d) Financial Statement Presentation**

The accompanying combined financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require the Synod to report information regarding its combined financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. The Synod Council has designated a portion of its net assets without donor restrictions as an operating reserve to fund future capital investments and other long-term needs.

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(d) Financial Statement Presentation - Continued**

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature and will be met either by the passage of time or the accomplishment of a purpose restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying combined statement of activities as net assets released from restrictions. At January 31, 2022 and 2021, net assets with donor restrictions were restricted for specific programs of the Synod and totaled \$1,398,608 and \$1,459,276, respectively.

The combined statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended January 31, 2021, from which the summarized information was derived.

**(e) Contributions and Refundable Advances**

All contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied. Conditional grants received prior to the condition being met are recorded as refundable advances. Refundable advances of approximately \$1.5 million and \$1.1 million at January 31, 2022 and 2021, respectively, consist of grants received subject to conditions that grant funds be spent on specific disaster relief efforts related to damage in the panhandle of Florida caused by Hurricane Michael in 2018 and damage in the Bahamas caused by Hurricane Dorian in 2019. Once grant funds are spent on these allowable costs, the condition will be met and the grant revenue will be recognized.

**(f) Cash and Cash Equivalents**

The Synod considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**(g) Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Synod's combined statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined financial statements. Restrictions on investment earnings are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the earnings are recognized.

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(h) Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Synod provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of payers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Synod's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**(i) Pledges Receivable**

Contributions receivable which are due in more than one year are recorded at estimated fair value by discounting future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected contribution collection period. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based on management's judgment.

**(j) Notes Receivable**

Notes receivable consist of loans made by the Synod to individual pastors and other employees and to congregations to fund expansion of Lutheran churches within its jurisdiction. Loans to congregations are generally collateralized with an interest in the underlying land or building. Loans to individuals are collateralized when possible. Interest is accrued monthly. An allowance for credit losses is recorded once management deems repayment to be doubtful. Uncollectible loans are written off once all collection efforts have been exhausted.

**(k) Property and Equipment and Property Held for Lease**

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets. Expenditures for property and equipment and property held for lease are stated at cost, and those in excess of \$1,500 are capitalized. Contributed property and equipment are recorded at fair value at the date of donation.

The estimated useful lives of related asset classes are as follows:

Buildings and improvements	7 to 20 years
Furniture and fixtures	5 to 7 years
Computers and equipment	5 to 7 years
Vehicles	5 to 7 years

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(l) In-Kind Contributions**

In-kind contributions are reflected in the accompanying combined financial statements at their estimated fair market value at date of receipt. In-kind services are recognized and recorded at fair market value only to the extent that they create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no in-kind contributions for the years ended January 31, 2022 and 2021.

**(m) Income Taxes**

The Synod is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Synod is treated as a publicly supported organization, and not as a private foundation. Accordingly, no provision for income taxes has been included in the accompanying combined financial statements. The Synod has not reported any unrelated business income; however, such status is subject to final determination upon examination, if any, of the related income tax returns by the appropriate taxing authorities. The Synod is exempt from filing an information return (Form 990) since the Synod is an affiliate of a religious organization. The Synod is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty.

**(n) Estimates in Financial Statements**

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

**(o) Functional Allocation of Expenses**

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the combined statements of support and revenue, expenses and other changes in net assets without donor restrictions. The combined statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Synod are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on the Synod's square footage analysis for all occupancy-related indirect costs.

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(p) Going Concern Evaluation**

On an annual basis, as required by ASC Topic 205, *Presentation of Financial Statements - Going Concern*, the Synod performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), 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 combined financial statements were available to be issued.

**(q) Revenue Recognition**

The Synod recognizes revenue in accordance with FASB Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which has a five step process: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations; and (5) Recognize revenue when (or as) performance obligations are satisfied. The Synod derives its revenues from attendance fees and exhibitor sales associated with events including the annual Synod Assembly and the Conference on Ministry along with other smaller events. The Synod recognizes revenues for attendance fees and exhibitor sales over the time period each event is held.

**(r) New Accounting Pronouncement**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the combined statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of changes in net assets. The new standard is effective for the Synod for the fiscal year beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the combined financial statements, with certain practical expedients available. The Synod is currently evaluating the effect the provisions of ASU No. 2016-02 will have on its combined financial statements.

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements - Continued**

**(2) Investments**

Investments consist of the following at January 31, 2022 and 2021:

	2022		2021	
	Cost	Market	Cost	Market
Equity mutual funds	\$ 128,855	145,731	101,000	108,764
Fixed rate securities	2,554,393	2,554,393	2,554,343	2,554,343
	\$ 2,683,248	2,700,124	2,655,343	2,663,107

At January 31, 2022 and 2021, the Synod's investments were held in a managed brokerage account with the Mission Investment Fund, as well as an Endowment Fund Pooled Trust of the ELCA. The following schedule summarizes investment return for the years ended January 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 52,171	76,810
Net realized and unrealized gains	9,113	5,022
Total investment return	61,284	81,832
Investment return with donor restrictions	30,877	30,271
Investment return without donor restrictions	\$ 30,407	51,561

**(3) Property and Equipment**

Property and equipment at January 31, 2022 and 2021 consist of the following:

	2022	2021
Land	\$ 31,206	31,206
Buildings and improvements	576,607	576,607
Furniture and fixtures	48,185	48,185
Equipment	57,737	57,737
Computers	22,703	21,503
Vehicles	103,387	159,236
	839,825	894,474
Less accumulated depreciation	510,102	473,227
	\$ 329,723	421,247

Depreciation expense for the years ended January 31, 2022 and 2021 was \$52,704 and \$35,418, respectively.

**THE FLORIDA-BAHAMAS SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA AND AFFILIATES**

**Notes to Combined Financial Statements - Continued**

**(4) Property Held for Lease**

Property held for lease at January 31, 2022 and 2021 consists of the following:

	<b>2022</b>	<b>2021</b>
Land	\$ 266,318	266,318
Buildings and improvements	425,622	426,173
	691,940	692,491
Less accumulated depreciation	112,778	94,841
	<b>\$ 579,162</b>	<b>597,650</b>

In fiscal 2020, the Synod received title to a property held for lease with an estimated fair value of \$600,000 from a church located in Central Florida. The property is being leased under an agreement which includes an option for the tenant to purchase the property by making payments in excess of the \$800 monthly rent due under the lease. The lease term expires October 2022. The tenant has remitted \$47,291 as payments toward the option to purchase and the Synod has recognized these payments as a deposit liability in the accompanying combined statement of financial position as of January 31, 2022.

Depreciation expense on property held for lease for the years ended January 31, 2022 and 2021 was \$17,937.

**(5) Properties Held for Sale**

In fiscal 2020, the Synod received title to a property held for sale from a church experiencing financial difficulties. The estimated market value of the property transfers included in properties held for sale at January 31, 2022 was \$1,950,000.

In fiscal 2022, the Synod sold the St. James property held for sale. The amount of net proceeds received from the sale in fiscal 2022 totaled \$9,645,816. The Synod recognized a gain of \$145,961 related to this sale.

In fiscal 2022 and 2021, the Synod received proceeds from the sale of property held for sale from a church experiencing financial difficulties. The amount of net proceeds received (reflected as property transfers) from this church in fiscal 2022 was \$22,873 and in fiscal 2021 was \$357,130.



**THE FLORIDA-BAHAMAS SYNOD OF  
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**Notes to Combined Financial Statements - Continued**

**(6) Notes Receivable**

Notes receivable at January 31, 2022 and 2021 consist of the following:

	<b>2022</b>	<b>2021</b>
2% mortgage note receivable from a congregation; monthly installments of \$247, including interest, through February 2023; secured by real property. This note was paid in full in fiscal 2022 (Jesus Rey de Gloria)	\$ -	7,282
1% promissory note due from a congregation; payable in full in December 2029; secured by real property. (Mission Luterana Sagrado Corazon, formerly Messiah Lutheran - Miami)	57,908	57,908
4.875% promissory note due from a congregation; monthly installments of \$7,241, including interest, with a final balloon payment due in September 2027; secured with an equipment lien. Consolidated into a new loan in fiscal 2022 (Castle Church - Kissimmee)	-	486,481
4.875% promissory note due from a congregation; interest only payments through December 2023. Commencing on January 1, 2024, monthly installments of \$3,569, including interest, with a final balloon payment due in January 2027. (Castle Church - Kissimmee)	632,413	-
Total notes receivable	690,321	551,671
Less allowance for credit losses	611,270	422,769
Notes receivable, net of allowance	79,051	128,902
Less current portion of notes receivable	-	61,666
Notes receivable, less current portion	\$ 79,051	67,236

**(7) Liquidity and Availability of Resources**

The Synod regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Synod has various sources of liquidity at its disposal, including cash and cash equivalents and investment securities.

The Synod is supported by both unrestricted and donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Synod must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Synod's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and obligations come due. The Synod designates a portion of its investments and investment earnings to fund long-term needs of the Synod. Additionally, the Synod has designated certain net assets without donor restrictions that, while the Synod does not intend to spend for general expenditures in the next 12 months, the amounts could be made available for current operations, if necessary. In addition to the financial assets available to meet general expenditures over the next 12 months, the Synod operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**THE FLORIDA-BAHAMAS SYNOD OF  
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**Notes to Combined Financial Statements - Continued**

**(7) Liquidity and Availability of Resources - Continued**

As of January 31, 2022 and 2021, the Synod's financial assets available to meet cash needs for general expenditures for the next 12 months were as follows:

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ 9,922,951	1,188,286
Accounts receivable	3,218	-
Notes receivable	79,051	128,902
Advances to Castle Church, net	-	36,483
Investments	2,700,124	2,663,107
Total financial assets	12,705,344	4,016,778
Less amounts unavailable for general expenditure within the next 12 months due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted for specific purposes	(1,398,608)	(1,459,276)
Notes receivable due in more than one year	(79,051)	(67,236)
Advances to Castle Church due in more than one year	-	(36,483)
Board-designations:		
Designated for Together in Mission	(89,796)	(56,359)
Designated for long-term purposes	(9,725,487)	(1,481,142)
Financial assets available to meet cash needs for general expenditures for the next 12 months	\$ 1,412,402	916,282

**(8) Leases**

The Synod leases certain office equipment under non-cancellable operating leases which expire over the next three years. Total rent expense on all operating leases was approximately \$6,000 for the years ended January 31, 2022 and 2021.

Future minimum lease payments under non-cancellable operating leases as of January 31, 2022 are as follows:

<b>Year Ending January 31,</b>	
2023	\$ 6,124
2024	6,080
2025	5,080
Total future minimum lease payments	\$ 17,284

**THE FLORIDA-BAHAMAS SYNOD OF  
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**Notes to Combined Financial Statements - Continued**

**(9) Credit Concentrations**

The Synod maintains deposit accounts with what management believes to be a high credit quality financial institution. At January 31, 2022, account balances exceeded federal insurance limits by approximately \$10,515,000.

The Synod maintains a Mission Investment Fund account (money market mutual fund and fixed rate securities), as well as Pooled Trust Funds with ELCA (equity mutual funds) which are not covered to any extent by federal deposit insurance or any other insurance provided by a federal or state regulatory agency. The total balance of these accounts at January 31, 2022 was approximately \$3 million.

**(10) Contingencies**

The Synod is subject to asserted and unasserted claims arising in the ordinary course of operations. While the results of litigation cannot be predicted with certainty, management believes the final outcome will not have a materially adverse effect on the Synod's financial condition.

**(11) Restrictions on Net Assets**

Donor restrictions on net assets at January 31, 2022 and 2021 relate to assets contributed by donors and grantors for specific purposes as follows:

	<u>2022</u>	<u>2021</u>
Aging Ministries	\$ 11,053	26,053
Mission Partners 100	71,884	73,443
Disaster Relief	481,608	646,091
Global Mission	138,100	102,186
Together in Mission - Haiti	30,073	28,433
Aging and Indigent Care	62,575	62,575
Contingency Fund	130,324	128,495
Ministry in Transition program	128,275	126,475
Church Extension Fund program	7,835	7,725
Ministry in Relocation Fund	56,571	56,571
May Educational Fund	88,460	78,965
O'Reilly Stewardship Fund	25,000	-
Other	166,850	122,264
	<u>\$ 1,398,608</u>	<u>1,459,276</u>

**THE FLORIDA-BAHAMAS SYNOD OF  
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**Notes to Combined Financial Statements - Continued**

**(12) Endowment Funds**

The Synod's endowment consists of amounts designated by the Synod Council to function as endowments.

*Spending Policy* - The Synod's spending policy is predicated on the needs of the congregations and individuals in its jurisdiction.

The Synod Council has interpreted FUPMIFA (Florida Uniform Prudent Management of Institutional Funds Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Synod classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. At January 31, 2022 and 2021, the Synod had no donor restricted endowment net assets.

*Investment Return Objectives, Risk Parameters and Strategies* - The Synod has adopted investment and spending policies, approved by the Synod Council, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the purchasing power of those endowment assets over the long-term. The policies stipulate that the endowment investments will be maintained in money market mutual funds or fixed rate securities held by the Mission Investment Fund of the ELCA.

Endowment net assets as of January 31, 2022 and 2021 consist of Council-designated net assets without donor restrictions totaling \$9,815,283 and \$1,537,501, respectively.

Changes in endowment net assets for the years ended January 31, 2022 and 2021 were as follows:

	<b>Net Assets Without Donor Restrictions</b>
Balance at January 31, 2020	\$ 1,432,715
Contributions	403,860
Investment income	2,123
Appropriations	(301,197)
Balance at January 31, 2021	1,537,501
Contributions	168,996
Proceeds from sale of property	9,645,961
Investment income	30,407
Appropriations	(1,567,582)
Balance at January 31, 2022	\$ 9,815,283

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**Notes to Combined Financial Statements - Continued**

**(13) Pension Plan**

The Synod adopted a 403(b) multiple employer retirement plan (the “Plan”) administered by the Evangelical Lutheran Church in America (“ELCA”) subject to the provisions of the ELCA Master Institutional Retirement Plan. Under the Plan, employees are generally eligible to participate once they attain the age of twenty-one and work a minimum of 20 hours per week for six months or more per year. The Synod currently is required to contribute 10% of each Mission Developer’s compensation and 12% of each of the other participant’s compensation. Participants’ rights to employer contributions immediately and fully vest. Pension expense for the years ended January 31, 2022 and 2021 was approximately \$90,000 and \$85,000, respectively.

**(14) Fair Value Measurements**

In accordance with the *Fair Value Measurement* Topic of the FASB Accounting Standards Codification, the Synod uses a fair value hierarchy for its financial assets and liabilities measured on a recurring basis. 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 measurements involving significant unobservable inputs (Level 3 measurements).

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The Synod does not have any financial instruments using Level 1 fair value measurements.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The fair value of the Synod’s money market mutual fund, its pooled trust, and its fixed rate securities are based on valuation information provided by the Mission Investment Fund and the ELCA.

Level 3: Valuation is based on unobservable inputs.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**THE FLORIDA-BAHAMAS SYNOD OF  
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**Notes to Combined Financial Statements - Continued**

**(14) Fair Value Measurements - Continued**

Fair values of assets measured at fair value on a recurring basis at January 31, 2022 and 2021 were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2022:				
Equity mutual funds	\$ 145,731	-	145,731	-
Fixed rate securities	<u>2,554,393</u>	<u>-</u>	<u>2,554,393</u>	<u>-</u>
	<u>\$ 2,700,124</u>	<u>-</u>	<u>2,700,124</u>	<u>-</u>
2021:				
Equity mutual funds	\$ 108,764	-	108,764	-
Fixed rate securities	<u>2,554,343</u>	<u>-</u>	<u>2,554,343</u>	<u>-</u>
	<u>\$ 2,663,107</u>	<u>-</u>	<u>2,663,107</u>	<u>-</u>

**(15) Paycheck Protection Program Loan**

The Synod applied for and received a forgivable Paycheck Protection Program (“PPP”) Loan of \$174,795 as provided under the Federal Coronavirus Aid, Relief and Economic Security (“CARES”) Act and the loan was funded on April 23, 2020. Under the terms of the loan, the balance is forgivable to the extent proceeds are used for certain qualifying costs during the eight week coverage period subsequent to the date the loan was funded and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due and payable in monthly installments beginning on the date the loan forgiveness is communicated to the Synod or 10 months after the end of the loan forgiveness coverage period and carries an interest rate of 1%.

The Synod submitted a formal request for forgiveness and on April 8, 2021, the Synod received formal notification of forgiveness for the full balance of the loan. As a result, the Synod has recognized the full loan amount as a federal grant in the accompanying combined statement of support and revenue, expenses and other changes in net assets without donor restrictions for the year ended January 31, 2021.

**(16) Risk and Uncertainties**

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of fiscal 2021, and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect operations in fiscal 2023, although such effects may vary significantly. The duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the combined financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of the curtailment of various program activities and the long-term effect on covenant giving, grants, and contributions.

**THE FLORIDA-BAHAMAS SYNOD OF  
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**Notes to Combined Financial Statements - Continued**

**(16) Risk and Uncertainties - Continued**

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Synod's investment portfolio has incurred significant volatility in fair value since March 2020. Because the values of the Synod's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in future periods, if any, and the related impact on the Synod's liquidity cannot be determined at this time.

**(17) Subsequent Events**

The Synod has evaluated subsequent events through May 17, 2022 the date the combined financial statements were available for issuance.