

CENTRAL/SOUTHERN ILLINOIS
SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

January 31, 2016 and 2015

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Independent Auditors' Report

Synod Council
Central/Southern Illinois Synod of the
Evangelical Lutheran Church in America
Springfield, Illinois

We have audited the accompanying financial statements of Central/Southern Illinois Synod of the Evangelical Lutheran Church in America, which are comprised of the statement of financial position as of January 31, 2016 and 2015 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Synod's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central/Southern Illinois Synod of the Evangelical Lutheran Church in America as of January 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ech, Schaefer & Pankratz, LLP

Springfield, Illinois
March 31, 2016

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

STATEMENTS OF FINANCIAL POSITION

January 31

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 606,481	\$ 551,942
Investments		
Mission Loan Fund	352,818	339,240
Student Loan Reduction Fund	222,596	216,961
Endowment for Mission Fund	165,774	161,456
Heithold Endowment	292,999	321,480
Prepaid expenses	13,067	11,678
Investment in North Highland land	<u>366,049</u>	<u>366,049</u>
Total assets	<u>\$ 2,019,784</u>	<u>\$ 1,968,806</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 11,733	\$ 11,733
Accrued expenses	<u>3,127</u>	<u>3,167</u>
	14,860	14,900
NET ASSETS		
Unrestricted		
Undesignated	686,205	662,793
Designated - Student loan retirement	<u>100,000</u>	<u>100,000</u>
Total unrestricted net assets	786,205	762,793
Temporarily restricted	<u>1,218,719</u>	<u>1,191,113</u>
Total net assets	<u>2,004,924</u>	<u>1,953,906</u>
Total liabilities and net assets	<u>\$ 2,019,784</u>	<u>\$ 1,968,806</u>

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

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

STATEMENT OF ACTIVITIES

January 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Congregational benevolence	\$ 1,439,080	\$ -	\$ 1,439,080
Unrestricted donations	24,442	-	24,442
Interest income	8,429	-	8,429
Trede Seminarian Grant	-	862	862
Madagascar Support	-	51,417	51,417
Trip to Madagascar	-	-	-
Heithold Endowment Fund			
Principal	-	(28,481)	(28,481)
Interest	-	24,610	24,610
Student Loan Reduction Fund - principal	-	6,752	6,752
Student Loan Reduction Fund - interest	-	6,082	6,082
DEM Synod Support	-	15,141	15,141
Mission Start up	-	2,930	2,930
Other	250	-	250
Net assets released from temporary restrictions	<u>51,708</u>	<u>(51,708)</u>	<u>-</u>
Total revenue, gains and other support	1,523,909	27,605	1,551,514
EXPENSES			
Support services - Ministry through administration	73,514	-	73,514
Program services			
Ministry through agencies and institutions	156,278	-	156,278
Ministry through church-wide organizations	805,885	-	805,885
Ministry through congregational/pastoral services	364,819	-	364,819
Ministry through program committees	23,654	-	23,654
Ministry through Synod costs	24,638	-	24,638
Ministry through restricted funds	<u>51,708</u>	<u>-</u>	<u>51,708</u>
Total program services	<u>1,426,982</u>	<u>-</u>	<u>1,426,982</u>
Total expenses	<u>1,500,496</u>	<u>-</u>	<u>1,500,496</u>
CHANGE IN NET ASSETS	23,413	27,605	51,018
NET ASSETS AT BEGINNING OF YEAR	<u>762,793</u>	<u>1,191,113</u>	<u>1,953,906</u>
NET ASSETS AT END OF YEAR	<u>\$ 786,206</u>	<u>\$ 1,218,718</u>	<u>\$ 2,004,924</u>

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

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

STATEMENT OF ACTIVITIES

January 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Congregational benevolence	\$ 1,450,269	\$ -	\$ 1,450,269
Interest income	7,987	-	7,987
Trede Seminarian Grant	-	820	820
Madagascar Support	-	10,320	10,320
Trip to Madagascar	-	15,636	15,636
Heithold Endowment Fund			
Principal	-	15,335	15,335
Interest	-	23,459	23,459
Student Loan Reduction Fund - principal	-	6,167	6,167
Student Loan Reduction Fund - interest	-	6,071	6,071
DEM Synod Support	-	15,048	15,048
Mission Start up	-	2,480	2,480
Other	128,713	-	128,713
Net assets released from temporary restrictions	<u>48,950</u>	<u>(48,950)</u>	<u>-</u>
Total revenue, gains and other support	1,635,919	46,386	1,682,305
EXPENSES			
Support services - Ministry through administration	84,827	-	84,827
Program services			
Ministry through agencies and institutions	156,729	-	156,729
Ministry through church-wide organizations	812,151	-	812,151
Ministry through congregational/pastoral services	329,903	-	329,903
Ministry through program committees	31,114	-	31,114
Ministry through Synod costs	20,057	-	20,057
Ministry through restricted funds	<u>70,509</u>	<u>-</u>	<u>70,509</u>
Total program services	<u>1,420,463</u>	<u>-</u>	<u>1,420,463</u>
Total expenses	<u>1,505,290</u>	<u>-</u>	<u>1,505,290</u>
CHANGE IN NET ASSETS	130,629	46,386	177,015
NET ASSETS AT BEGINNING OF YEAR	<u>632,164</u>	<u>1,144,727</u>	<u>1,776,891</u>
NET ASSETS AT END OF YEAR	<u>\$ 762,793</u>	<u>\$ 1,191,113</u>	<u>\$ 1,953,906</u>

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

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

STATEMENTS OF CASH FLOWS

Year ended January 31

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 51,018	\$ 177,015
Adjustments to reconcile the change in net assets to net cash flows from operating activities		
Unrealized loss (gain) - Heithold Endowment Fund	28,481	(15,335)
Change in operating assets and liabilities		
Prepaid expenses	(1,389)	(1,811)
Accounts payable and accrued expenses	<u>(40)</u>	<u>12,083</u>
Net cash flows from operating activities	78,070	171,952
Cash flows from investing activities	<u>(23,531)</u>	<u>151,183</u>
Net increase in cash and cash equivalents	54,539	20,769
Cash and cash equivalents at beginning of year	<u>551,942</u>	<u>531,173</u>
Cash and cash equivalents at end of year	<u>\$ 606,481</u>	<u>\$ 551,942</u>

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

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

NOTES TO FINANCIAL STATEMENTS

January 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central/Southern Illinois Synod of the Evangelical Lutheran Church in America (the Synod or CSIS) represents the Central and Southern Illinois region and is an entity of the Evangelical Lutheran Church in America (ELCA). The Synod is one of 65 Synods and is responsible for oversight of 132 ELCA congregations in the southern two-thirds of the state of Illinois. The 130 congregations of the Synod have 43,611 members. Its purpose is to provide fiscal and administrative services to facilitate the development of the congregations and ELCA programs and foundations. Benevolence funds are received from the congregations and expended for designated purposes and various administrative costs. Designated purposes include affiliated agencies, institutions, organizations and various religious committees and programs, some of which are operated by affiliates. The Synod's primary source of income comes from contributions from members of all affiliated churches. Members' generosity is dependent upon their respective congregation and the local economies in which congregational members are employed.

1. Basis of Accounting

The Synod presents its financial statements on an accrual basis of accounting except for benevolence revenue which is recognized when received and for long-term assets and depreciation which is recorded when acquired. Congregations give their intents, to which they are not legally bound and make payments at their convenience, and long-term assets are depreciated in the year of acquisition. The result of using these methods of recognition of income and expense would closely approximate that of the typical accrual method given the nature of income and long-term asset acquisitions.

2. Investments

The Heithold Endowment investment is carried at market value, as provided by the ELCA. All other investments are stated at cost, which approximates fair market value. The difference between cost and fair market value is immaterial.

3. Property and Equipment

Property and equipment are reported at cost and are depreciated using the straight-line method over estimated useful lives of three to seven years and fifteen to twenty-five years, respectively.

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Cash and Cash Equivalents

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

5. Income Taxes

The Evangelical Lutheran Church in America began operation January 1, 1988, as a result of the combination of the American Lutheran Church, the Association of the Evangelical Lutheran Churches and the Lutheran Church in America. On July 13, 1988, the ELCA was notified that it was exempt from federal income taxes under Internal Revenue Code Section 509(c)(3) and is not liable for federal income taxes as long as it continues to meet the requirements of this code section. This exemption applies to affiliated organizations and entities including the Central/Southern Illinois Synod of the ELCA.

The Central/Southern Illinois Synod of the ELCA is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income under Section 501(a) of the Code.

6. Use of Estimates in Preparing Financial Statements

The preparation of 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 amounts reported in the financial statements. Actual results could differ from those estimates.

7. Subsequent Events

The Central/Southern Illinois Synod of the Evangelical Lutheran Church in America assessed events that have occurred subsequent to January 31, 2016 through March 31, 2016, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

8. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2016 and 2015

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Synod's cash and cash equivalents was comprised of the following at January 31,

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ <u>606,481</u>	\$ <u>551,942</u>

The Synod's investments were comprised of the following at January 31,

	<u>2016</u>	<u>2015</u>
Unrestricted investments		
Mission Loan Fund	\$ 352,818	\$ 339,240
Student Loan Reduction Fund	<u>100,000</u>	<u>100,000</u>
Total unrestricted investments	<u>\$ 452,818</u>	<u>\$ 439,240</u>
Temporarily restricted investments		
Endowment for Mission Fund	\$ 165,774	\$ 161,456
Student Loan Reduction Fund	122,596	116,961
Heithold Endowment	<u>292,999</u>	<u>321,480</u>
Total temporarily restricted investments	<u>\$ 581,369</u>	<u>\$ 599,897</u>

NOTE C - PROPERTY AND EQUIPMENT

The components of the Synod's property and equipment included in the statement of financial position at January 31 are as follows:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 394,217	\$ 394,217
Automobiles	24,134	24,134
Furniture and fixtures	61,847	61,847
Office equipment	<u>163,961</u>	<u>163,961</u>
	644,159	644,159
Less: accumulated depreciation	<u>644,159</u>	<u>644,159</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2016 and 2015

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Net assets are restricted for the following purposes as of January 31,

	<u>2016</u>	<u>2015</u>
Student Loan Reduction Fund - principal	\$ 215,697	\$ 208,945
Student Loan Reduction Fund - interest	6,899	8,016
Madagascar Support	47,879	7,461
Mission Start Up	31,117	28,209
Heithold Endowment Fund	292,999	321,480
Endowment for Mission - principal	138,648	138,648
Land Fund	78,002	78,002
Highland Land Fund - land	366,049	366,049
DEM Synod Support Grants	<u>41,429</u>	<u>34,303</u>
	<u>\$ 1,218,719</u>	<u>\$ 1,191,113</u>

Net assets released from temporary restrictions for the years ended January 31 are comprised of the following:

	<u>2016</u>	<u>2015</u>
Trede Seminarian Grant	\$ 861	\$ 820
Madagascar Seminary	11,000	13,580
Student Loan Interest	7,200	6,600
Heithold Endowment Interest Fund	24,610	23,459
Mission Start Up	22	11
DEM Synod Support	<u>8,015</u>	<u>4,480</u>
	<u>\$ 51,708</u>	<u>\$ 48,950</u>

Central/Southern Illinois Synod of the Evangelical Lutheran Church in America

NOTES TO FINANCIAL STATEMENTS - CONTINUED

January 31, 2016 and 2015

NOTE E - RESTRICTED NET ASSETS FOR ENDOWMENTS

The Synod has investments in the ELCA Mission Investment Fund at January 31, 2016 and 2015, in the amounts of \$ 733,623 and \$ 717,656, respectively. Of these funds, two endowments are included. Endowment for Mission balances on January 31, 2016 and 2015 were \$ 138,648 for both years. Student Loan Reduction Fund Endowment balances on January 31, 2016 and 2015 were \$ 215,697 and \$ 208,945, respectively. Each of these endowments is invested in dedicated investment accounts, and interest income is expended per endowment restrictions. The balance of the Mission Investment Fund investments represents Synod cash reserves and other restricted funds, which are unrestricted.

NOTE F - PENSIONS

The Synod sponsors a defined contribution pension plan through association with the Evangelical Lutheran Church in America. The plan is available to all employees scheduled to work twenty or more hours per week for six months or more per year. The Synod has opted to pay the maximum rate of twelve percent (12%) of annual defined compensation, which includes housing allowances, for ordained employees. A lower rate of annual contribution is paid on behalf of all other qualified employees. For the years ended January 31, 2016 and 2015, pension expense totaled \$ 17,980 and \$ 17,363, respectively.

NOTE G - ASSEMBLY COMMITMENT

A contract has been signed with Embassy Suites East Peoria for the 2016 Synod Assembly. No specific dollar amount is available.

NOTE H - RECLASSIFICATIONS

Certain 2015 reclassifications have been made to conform to the 2016 presentation.