

**SIERRA PACIFIC SYNOD
OF THE EVANGELICAL
LUTHERAN CHURCH
IN AMERICA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JANUARY 31, 2022 AND 2021**

INDEPENDENT AUDITOR'S REPORT

**Synod Council
Sierra Pacific Synod of the Evangelical
Lutheran Church in America
Sacramento, California**

Opinion

We have audited the accompanying financial statements of Sierra Pacific Synod of the Evangelical Lutheran Church in America (the Synod), which comprise the statements of financial position as of January 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sierra Pacific Synod of the Evangelical Lutheran Church in America as of January 31, 2022 and 2021, 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 2, 2023

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,653,644	\$ 1,321,007
Prepaid expenses and other assets	<u>56,443</u>	<u>70,901</u>
Total current assets	1,710,087	1,391,908
NONCURRENT ASSETS:		
Investments	4,449,883	4,264,585
Property from disbanded congregations	<u>2,045,000</u>	<u>2,595,000</u>
TOTAL ASSETS	<u>\$ 8,204,970</u>	<u>\$ 8,251,493</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	80,556	3,296
Deferred trust accounts	157,252	121,743
Agency trust accounts	<u>96,566</u>	<u>59,091</u>
Total current liabilities	<u>334,374</u>	<u>184,130</u>
NET ASSETS:		
Without donor restrictions:		
General fund	246,663	786,239
Synod designated funds	<u>6,744,110</u>	<u>6,470,857</u>
Total without donor restrictions	6,990,773	7,257,096
With donor restrictions	<u>879,823</u>	<u>810,267</u>
Total net assets	<u>7,870,596</u>	<u>8,067,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,204,970</u>	<u>\$ 8,251,493</u>

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF ACTIVITIES
YEARS ENDED JANUARY 31, 2022 AND 2021**

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>2022</u>	<u>2021</u>
REVENUES AND SUPPORT:		
Mission support from congregations	\$ 1,461,219	\$ 2,445,514
Synod assembly	46,225	2,050
Restart grants	47,911	97,899
ELCA campus ministry grants	50,890	77,408
Professional leadership conference	14,400	
Rental income	27,869	27,300
Interest and dividends	126,534	126,753
Net realized and unrealized gain on investments	170,763	247,317
Other revenue	21,166	21,066
Net assets released from restriction	2,000	10,955
Total revenues and support	<u>1,968,977</u>	<u>3,056,262</u>
EXPENSES:		
Personnel	754,998	667,106
Administration	254,472	287,658
Ministry partners	835,961	1,134,855
Synod mission	272,807	255,232
Synod assembly and conferences	85,756	7,696
Total expenses	<u>2,203,994</u>	<u>2,352,547</u>
NET REVENUES AND EXPENSES	(235,017)	703,715
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Gain on forgiveness of Paycheck Protection Program loan		112,100
Loss on sale of property from disbanded congregations	<u>(31,306)</u>	<u> </u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(266,323)</u>	<u>815,815</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Interest and dividends - Warner trust	9,589	9,182
Net realized and unrealized gain - Warner trust	13,354	19,342
Contributions	48,613	
Net assets released from restriction	<u>(2,000)</u>	<u>(10,955)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>69,556</u>	<u>17,569</u>
INCREASE (DECREASE) IN NET ASSETS	(196,767)	833,384
NET ASSETS, Beginning of Year	<u>8,067,363</u>	<u>7,233,979</u>
NET ASSETS, End of Year	<u>\$ 7,870,596</u>	<u>\$ 8,067,363</u>

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

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2022**

	<u>Program Activities</u>				<u>Total Expenses</u>
	<u>Ministry Partners</u>	<u>Synod Mission</u>	<u>Synod Assembly and Conference</u>	<u>General and Administrative</u>	
Salaries, wages and benefits	\$ 193,588	\$ 310,830	\$ 108,929	\$ 141,651	\$ 754,998
Mission support	602,321				602,321
Grants given	233,640	253,076			486,716
Conferences, programs and workshops		17,696	90,756	42,924	151,376
Rent	9,188	16,494	11,802	17,856	55,340
Equipment and maintenance	3,966	8,789	8,798	13,357	34,910
Property expenses	7,121	21,273		4,745	33,139
Professional services	7,171	11,145	4,190	6,949	29,455
Communication	1,996	3,135	4,275	4,845	14,251
Supplies	3,251	5,201	1,950	2,601	13,003
Insurance	1,854	2,966	1,112	1,483	7,415
Postage and shipping	158	437	274	922	1,791
Miscellaneous	768	1,407	2,045	15,059	19,279
Total	<u>1,065,022</u>	<u>652,449</u>	<u>234,131</u>	<u>252,392</u>	<u>2,203,994</u>

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 31, 2021**

	<u>Program Activities</u>				<u>Total Expenses</u>
	<u>Ministry Partners</u>	<u>Synod Mission</u>	<u>Synod Assembly and Conference</u>	<u>General and Administrative</u>	
Salaries, wages and benefits	\$ 93,182	\$ 256,686	\$ 136,425	\$ 180,813	\$ 667,106
Mission support	904,840				904,840
Grants given	230,015	258,346			488,361
Conferences, programs and workshops	643	1,055	15,768	10,067	27,533
Rent	9,485	39,038	15,055	36,783	100,361
Equipment and maintenance	5,103	10,771	11,425	17,141	44,440
Property expenses		21,152		9,982	31,134
Professional services	5,473	6,570	4,161	20,550	36,754
Communication	2,422	3,806	5,191	5,884	17,303
Supplies	1,013	1,591	2,169	2,456	7,229
Insurance	1,000	1,571	2,143	2,429	7,143
Postage and shipping	310	742	562	1,778	3,392
Depreciation	442	695	948	1,075	3,160
Miscellaneous	1,839	2,819	3,800	5,333	13,791
Total	<u>\$ 1,255,767</u>	<u>\$ 604,842</u>	<u>\$ 197,647</u>	<u>\$ 294,291</u>	<u>\$ 2,352,547</u>

**SIERRA PACIFIC SYNOD OF THE
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**STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (196,767)	\$ 833,384
Reconciliation to net cash provided (used) by operating activities:		
Depreciation		3,160
Net realized and unrealized gain on investments	(184,117)	(266,659)
Loss on sale of property from disbanded congregations	31,306	
Changes in:		
Prepaid expenses and other assets	14,458	(39,207)
Accounts payable and accrued liabilities	77,260	(5,627)
Deferred trust accounts	35,509	6,766
Agency trust accounts	37,475	36,429
Net cash provided (used) by operating activities	<u>(184,876)</u>	<u>568,246</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,181)	(275,733)
Proceeds from sale of investments		188,699
Net proceeds on sale of property from disbanded congregations	518,694	
Net cash provided (used) by investing activities	<u>517,513</u>	<u>(87,034)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	332,637	481,212
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,321,007</u>	<u>839,795</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,653,644</u>	<u>\$ 1,321,007</u>
COMPOSITION OF CASH AND CASH EQUIVALENTS:		
Operating	\$ 556,517	\$ 926,598
Mission and Ministry Fund	911,962	385,653
Other Synod Designated Funds	173,613	
Warner Trust	11,552	8,756
Total	<u>\$ 1,653,644</u>	<u>\$ 1,321,007</u>

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

SIERRA PACIFIC SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2022 AND 2021

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Sierra Pacific Synod (Synod) of the Evangelical Lutheran Church in America (ELCA) was organized in 1986 as a California nonprofit religious corporation, to promote the Christian religion according to the tenets of faith set forth in the constitution of the ELCA. There are nearly 200 congregations in the Synod's jurisdiction which includes 48 counties in Northern California and 13 counties in Nevada.

The Synod maintains relationships with several ELCA affiliated institutions and agencies within its territory. These relationships may include the appointment of institution and agency board members by the Synod Council, the governing body of the Synod.

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Synod reports information according to two classes of net assets based on the existence or absence of donor or grantor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Revenue recognition – The Synod receives monthly mission support from congregations within its jurisdiction. Support from congregations is recorded as revenue in full when received. Unremitted pledges from congregations are not included as receivables and revenue as of the Synod's fiscal year-end because they are conditional upon the congregations' ability and choice to fulfill the pledge.

Other contributions, including real estate from disbanded congregations, are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Donor-restricted contributions whose restrictions are met in the same reporting period are shown as revenue without restrictions.

Revenues from the Synod assembly and professional leadership conference are recognized when the related events occur.

Cash and cash equivalents – The Synod considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents, unless designated for long-term purposes.

The Synod minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions which are either insured through the institution or FDIC. The balance at times may exceed the insured limits. The Synod has not experienced any losses in such accounts and management believes The Synod is not exposed to any significant credit risk related to cash.

SIERRA PACIFIC SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2022 AND 2021

Investments are stated at fair market value with the exception of certificates of deposit, which are stated at cost. Changes in market value are recorded as investment income or loss in the statements of activities.

Property from disbanded congregations is recorded at fair value as of the date the property rights are transferred to the Synod. Subsequent changes in fair value are recorded as income or loss in the statements of activities.

Property and equipment are stated at cost. Assets are depreciated using the straight-line method over the estimated useful lives of the assets. The Synod capitalizes all expenditures for property and equipment in excess of \$2,500.

Agency and deferred trust accounts – The Synod receives funds from congregations to be disbursed to various designated agencies and institutions. When the funds are received, the Synod recognizes liabilities in the agency trust or deferred trust accounts. These liability accounts are reduced when the funds are disbursed to the recipient organizations.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Inputs Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs Unobservable inputs for the asset or liability.

Functional allocation of expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, the personnel and administration expenses reported on the statements of activities require allocation based on the estimated usage of resources. The expenses that are allocated include salaries and wages, which are allocated based on time and effort; payroll taxes and employee benefits, which are allocated based on salaries and wages; and rent, professional services, communication, insurance, supplies, and depreciation, which are allocated based on estimated usage.

Income taxes – The Synod is exempt from taxation under the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d).

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**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021**

Use of estimates – 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 reported amounts and disclosures. Significant estimates included in these financial statements are management’s estimate of the useful life of property and equipment, the valuation of property from disbanded congregations, and the allocation of functional expenses. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending January 31, 2023. The Synod is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been reviewed through May 2, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since January 31, 2022 that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Synod’s financial assets available for general expenditure within one year of the statement of financial position date are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,653,644	\$ 1,321,007
Investments	<u>4,449,883</u>	<u>4,264,585</u>
Total financial assets	6,103,527	5,585,592
Less amounts unavailable for general expenditures within one year:		
Deferred trust accounts	(157,252)	(121,743)
Agency trust accounts	(96,566)	(59,091)
Financial assets included in Synod designated net assets (see Note 3)	(4,699,110)	(3,875,857)
Net assets with donor restrictions (see Note 3)	<u>(879,823)</u>	<u>(810,267)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 270,776</u>	<u>\$ 718,634</u>

As part of the Synod liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Synod Council has the ability to approve transfers from its Mission and Ministry Fund to cover operating expenses if needed.

**SIERRA PACIFIC SYNOD OF THE
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**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021**

3. NET ASSETS

Net assets with donor restrictions:

Net assets with donor restrictions represent unexpended contributions restricted by donors as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Mission and Ministry Fund – Stockton new start	\$ 507,799	\$ 507,799
Gloria Dei – Bishop discretionary fund	27,132	27,132
Holmerud Legacy Fund – donor restricted	48,613	
Warner trust fund	<u>94,556</u>	<u>73,613</u>
Total purpose restrictions	678,100	608,544
Perpetual restrictions:		
Warner trust fund	<u>201,723</u>	<u>201,723</u>
Total net assets with donor restrictions	<u>\$ 879,823</u>	<u>\$ 810,267</u>

In 2002 the Synod received \$507,799 from the sale of Faith Lutheran Church property in Stockton. In accordance with the desire of the Stockton congregation, the proceeds are maintained in the Sierra Pacific Synod Mission and Ministry Endowment Fund (Mission and Ministry Fund), for the purposes of establishing a congregation in Stockton at a future date. This balance is included in net assets with donor restrictions.

The Synod maintains a bequest from the estate of Charles and Mabel Warner totaling \$201,723 which is to be held in perpetuity. The endowment fund is held in the ELCA Endowment Fund which is not insured. Investment income from the trust is used for grants to specific programs and ministries of the Synod and institutions and agencies in accordance with the provisions of the bequest. The Synod Council has established a trust committee which oversees the distribution of the income. Undistributed income at January 31, 2022 and 2021 totaled \$94,556 and \$73,613, respectively, and is included in net assets with donor restrictions. Interest and investment income in 2022 and 2021 was \$22,943 and \$28,524 respectively, from the Warner trust fund.

Designated net assets

The Synod has designated a portion of unrestricted net assets as the Mission and Ministry Fund. This fund has been designated to support the outreach ministry of the Synod, including, but not limited to the establishment of new congregations, fresh starts, redeveloping of and/or strengthening of existing ministries within the Synod, and the leadership development of lay and clergy members.

In March 2021, the Synod Council established the Debbi and Mark Holmerud Legacy Endowment (Holmerud Legacy Fund) in honor of the retired Bishop Mark Holmerud. The Synod raised \$48,613 through donations, which is included in net assets with donor restrictions, and also designated \$125,000 of Synod net assets for the Holmerud Legacy Fund which is included in Synod designated net assets.

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**NOTES TO FINANCIAL STATEMENTS
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Mission and Ministry Fund and total Synod designated net assets consisted of the following as of January 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 911,962	\$ 385,653
ELCA endowment fund pooled trust		
– investments stated at market value	3,579,832	3,409,069
Mission investment account		
– investments stated at market value	590,115	588,934
Property from disbanded congregations (Note 4)	<u>2,045,000</u>	<u>2,595,000</u>
Total Mission and Ministry Fund	7,126,909	6,978,656
Plus: Holmerud Legacy Fund – Synod designated	125,000	
Less: Stockton new start – donor restricted net assets	<u>(507,799)</u>	<u>(507,799)</u>
Total Synod designated net assets	<u>\$ 6,744,110</u>	<u>\$ 6,470,857</u>

4. PROPERTY FROM DISBANDED CONGREGATIONS

The Synod holds title to real property and fixtures it receives from congregations that dissolved and were disbanded. The properties are stated at their fair value and are designated in the Synod’s Mission and Ministry Fund. Synod management estimates the fair value of the properties annually based on outside appraisals or residential real estate listings for properties in the same geographical regions. The properties are classified within Level 2 of the fair value hierarchy because the valuation methods are based on observable market data, for comparable properties within the respective regions. No change in fair value was identified or recorded for the years ended January 31, 2022 or 2021.

Property from disbanded congregations consists of the following:

	<u>2022</u>	<u>2021</u>
Richmond church property	\$ 1,040,000	\$ 1,040,000
Richmond residential property		550,000
Hilmar property	640,000	640,000
Sanger church property	<u>365,000</u>	<u>365,000</u>
Total	<u>\$ 2,045,000</u>	<u>\$ 2,595,000</u>

**SIERRA PACIFIC SYNOD OF THE
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**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021**

Richmond property

On July 5, 2012, as a result of the dissolution of Life Lutheran Church of Richmond, the Synod took title to the real property and fixtures of the disbanded congregation, which included the Church itself and a residential property owned by the Church. Management's estimate of the fair value of the properties was based on appraisals conducted in March 2017, by outside appraisal firms. On December 22, 2021, the Synod sold the residential property for \$580,000. Net proceeds from the sale totaled \$518,694, resulting in a loss on the sale of \$31,306, which is reflected in the statement of activities for the year ended January 31, 2022.

Hilmar property

On April 21, 2014, as a result of the dissolution of Berea Evangelical Lutheran Church of Hilmar, the Synod took title to the real property and fixtures of the disbanded congregation. Management's estimate of the fair value at January 31, 2022 and 2021 was based on an appraisal conducted in March 2017, by an outside appraisal firm.

Sanger property

On February 14, 2018, as a result of the dissolution of Bethlehem Lutheran Church of Sanger, the Synod took title to the real property and fixtures of the disbanded congregation. Management's estimate of the fair value at January 31, 2022 and 2021 was based on an appraisal conducted in May 2018, by an outside appraisal firm.

5. INVESTMENTS

Investments consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 215,115	\$ 213,934
Certificates of deposit	375,000	375,000
Pooled investments held by ELCA Foundation	<u>3,859,768</u>	<u>3,675,651</u>
Total	<u>\$ 4,449,883</u>	<u>\$ 4,264,585</u>

The Synod participates in the ELCA Endowment Fund Pooled Trust of the ELCA Foundation. This investment is valued within level 2 of the fair value hierarchy as the value of its shares are based on the fair market value of the underlying holdings which consist of equities, fixed income securities, real estate and other alternative investments.

Investments in mutual funds and cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets for identical assets.

Certificates of deposit are valued at cost plus accrued interest.

**SIERRA PACIFIC SYNOD OF THE
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**NOTES TO FINANCIAL STATEMENTS
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6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements		\$ 110,448
Office and computer equipment		73,992
Furniture and fixtures	\$ 10,986	53,834
Automobile	<u>36,558</u>	<u>36,558</u>
Total	47,544	274,832
Less accumulated depreciation	<u>(47,544)</u>	<u>(274,832)</u>
Property and equipment, net	<u>\$</u>	<u>\$</u>

7. PENSION PLAN

Eligible employees participate in a defined contribution pension plan offered by the ELCA. The Synod makes contributions to this plan equal to 10% - 12% of salaries of eligible employees. The contributions are fully vested when paid and totaled \$52,423 and \$38,228 for the years ended January 31, 2022 and 2021, respectively.

8. PAYCHECK PROTECTION PROGRAM LOAN

On April 10, 2020, the Synod received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$112,100. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained.

The Synod received notification that its application for loan forgiveness was approved on January 6, 2021 and the loan amount was therefore recognized as income in the year ended January 31, 2021.

9. OPERATING LEASES

The Synod leases office space and printers under operating lease agreements. The Synod's lease for office space expires in August 2022 and the remaining leases are currently on a month-to-month basis. Lease expense for the years ended January 31, 2022 and 2021 was \$64,528 and \$110,436, respectively. Total future minimum payments under the lease agreements are \$28,000 and due in the year ending January 31, 2023.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
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10. COMMITMENTS AND CONTINGENCIES

St. John's Lutheran Church in Oakland was disbanded in 2021 and the Synod has initiated the process of taking title to the church property. The property is pledged as collateral for two loans which were initiated in 2018 totaling \$102,250. The loans have 15-year terms, require monthly principal and interest payments, and carry an interest rate of 8.9%. The total balance outstanding on the loans as of January 31, 2022 was approximately \$92,000. As of January 31, 2022, the Synod has assumed responsibility for the loan payments and the expenses associated with maintaining the church property, however the property value and loans will not be reflected as an asset and liabilities of the Synod until the January 31, 2024 fiscal year when it estimates it will take legal title to the property and the related loans.

The Synod faces claims resulting in legal proceedings or that could give rise to legal proceedings and litigation which arise in the ordinary course of business. No liability has been recorded for any such matters as the outcome and financial impact cannot be reasonably estimated. However, in the opinion of management, the outcome of such actions could have a material effect on the Synod's financial position and results of its operations.