

**SOUTHEASTERN PENNSYLVANIA SYNOD OF THE  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**JANUARY 31, 2014**

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

### **Synod Council of Southeastern Pennsylvania Synod of the Evangelical Lutheran Church in America Philadelphia, Pennsylvania**

We have audited the accompanying statements of Southeastern Pennsylvania Synod of the Evangelical Lutheran Church in America (the “Synod”) which comprise the statement of financial position as of January 31, 2014, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 of 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.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of January 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Synod Council of Southeastern Pennsylvania Synod  
of the Evangelical Lutheran Church in America**

***Report on Summarized Comparative Information***

We have previously audited the Synod's January 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplemental schedule of receipts and disbursements – operating, designated and temporarily restricted net assets, on page 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Philadelphia, Pennsylvania  
June 27, 2014**

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF FINANCIAL POSITION**

**January 31, 2014 With Summarized Information For 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals</b>	
				<b>2014</b>	<b>2013</b>
<b>ASSETS</b>					
Cash	\$ 554,569	\$ -	\$ -	\$ 554,569	\$ 233,593
Investments, at market <i>(Note 2)</i>	510,020	489,256		999,276	599,638
Miscellaneous receivable	2,380	-	-	2,380	2,380
Prepaid expenses	21,984	-	-	21,984	41,938
<b>Total current assets</b>	<b>1,088,953</b>	<b>489,256</b>	<b>-</b>	<b>1,578,209</b>	<b>877,549</b>
<b>OTHER ASSETS</b>					
Investments, at market <i>(Note 2)</i>	432,556	-	699,409	1,131,965	1,079,667
Prepaid rent <i>(Note 6)</i>	273,862	-	-	273,862	343,119
Real estate	110,350	-	-	110,350	110,350
Leasehold improvements and equipment (net of accumulated depreciation of \$484,005 in 2014 and \$469,998 in 2013)	18,365	-	-	18,365	27,051
Land, buildings and improvements – Bear Creek Camp	440,004	-	-	440,004	440,004
Equity in Chapel and Student Center	484,429	-	-	484,429	484,429
<b>Total other assets</b>	<b>1,759,566</b>	<b>-</b>	<b>699,409</b>	<b>2,458,975</b>	<b>2,484,620</b>
<b>Total assets</b>	<b>\$ 2,848,519</b>	<b>\$ 489,256</b>	<b>\$ 699,409</b>	<b>\$ 4,037,184</b>	<b>\$ 3,362,169</b>
<b>CURRENT LIABILITIES</b>					
Payables					
Evangelical Lutheran Church in America	\$ 770,083	\$ -	\$ -	\$ 770,083	\$ 251,606
Other accounts payable and accrued expenses	129,675	-	-	129,675	329,309
Deferred Revenue	9,343	-	-	9,343	39,165
Note payable, current portion <i>(Note 3)</i>	16,059	-	-	16,059	16,262
<b>Total current liabilities</b>	<b>925,160</b>	<b>-</b>	<b>-</b>	<b>925,160</b>	<b>636,342</b>
<b>OTHER LIABILITIES</b>					
Note payable <i>(Note 3)</i>	220,003	-	-	220,003	236,031
<b>Total liabilities</b>	<b>1,145,163</b>	<b>-</b>	<b>-</b>	<b>1,145,163</b>	<b>872,373</b>
<b>NET ASSETS</b>					
<b>Unrestricted</b>					
Designated					
Fund for Mission	484,172	-	-	484,172	89,524
Other	30,522	-	-	30,522	22,017
<b>Total designated</b>	<b>514,694</b>	<b>-</b>	<b>-</b>	<b>514,694</b>	<b>111,541</b>
Church Renewal and Endowment	264,229	-	-	264,229	264,229
Real estate and property	924,433	-	-	924,433	924,433
<b>Total unrestricted</b>	<b>1,703,356</b>	<b>-</b>	<b>-</b>	<b>1,703,356</b>	<b>1,300,203</b>
<b>Temporarily restricted <i>(Note 4)</i></b>	<b>-</b>	<b>489,256</b>	<b>-</b>	<b>489,256</b>	<b>491,851</b>
<b>Permanently restricted <i>(Note 4)</i></b>	<b>-</b>	<b>-</b>	<b>699,409</b>	<b>699,409</b>	<b>697,742</b>
<b>Total net assets</b>	<b>1,703,356</b>	<b>489,256</b>	<b>699,409</b>	<b>2,892,021</b>	<b>2,489,796</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,848,519</b>	<b>\$ 489,256</b>	<b>\$ 699,409</b>	<b>\$ 4,037,184</b>	<b>\$ 3,362,169</b>

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year Ended January 31, 2014 With Summarized Information For 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2014</u>	<u>2013</u>
<b>Support and revenue</b>					
<b>Support</b>					
Contributions from congregations					
Partnership support	\$ 2,138,677	\$ -	\$ -	\$ 2,138,677	\$ 2,137,127
World Hunger	-	124,220	-	124,220	147,600
Other designated gifts	-	25,384	-	25,384	29,728
Mission Partners	-	6,527	-	6,527	11,180
Malaria	-	48,770	-	48,770	12,242
Remittance to designated agencies	-	(204,901)	-	(204,901)	(200,750)
Lutheran Charities Appeal	-	129,008	-	129,008	145,753
<b>Total from congregations</b>	2,138,677	129,008	-	2,267,685	2,282,880
Other contributions	312,023	79,387	-	391,410	507,340
<b>Total support</b>	2,450,700	208,395	-	2,659,095	2,790,220
<b>Revenue</b>					
Investment income	49,857	3,088	1,667	54,612	53,537
Unrealized gain on investments	29,213	-	-	29,213	48,068
Income from outside trusts	-	27,884	-	27,884	83,738
Proceeds from sale of Church property – net ( <i>Note 7</i> )	802,703	-	-	802,703	-
Registration fees	281,070	-	-	281,070	198,353
Remittance to designated agencies	-	(77,070)	-	(77,070)	(82,262)
Other	20,310	-	-	20,310	23,327
<b>Total revenue</b>	1,183,153	(46,098)	1,667	1,138,722	324,761
<b>Net assets released from restrictions (<i>Note 4</i>)</b>	164,892	(164,892)	-	-	-
<b>Total support and revenue</b>	3,798,745	(2,595)	1,667	3,797,817	3,114,981
<b>Expenses</b>					
Evangelical Lutheran Church in America					
Apportionment and other gifts	1,135,335	-	-	1,135,335	1,088,750
Budgeted operating expenses and disbursements	1,880,969	-	-	1,880,969	1,857,907
Distributions to beneficiary agencies	154,880	-	-	154,880	157,880
Distribution to Lutheran Charities agencies	129,008	-	-	129,008	145,753
Grants to organizations	95,400	-	-	95,400	141,776
<b>Total expenses</b>	3,395,592	-	-	3,395,592	3,392,066
<b>Changes in net assets</b>	403,153	(2,595)	1,667	402,225	(277,085)
<b>Net assets</b>					
Beginning of year	1,300,203	491,851	697,742	2,489,796	2,766,881
<b>End of year</b>	<u>\$ 1,703,356</u>	<u>\$ 489,256</u>	<u>\$ 699,409</u>	<u>\$ 2,892,021</u>	<u>\$ 2,489,796</u>

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF CASH FLOWS**

**Years Ended January 31, 2014 And 2013**

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>INCREASE IN CASH</b>		
<i>Change in net assets</i>	\$ 402,225	\$ (273,920)
<i>Adjustments to reconcile change in net assets provided by operating activities</i>		
Depreciation	14,007	15,400
Dividends reinvested	(18,111)	(10,357)
Unrealized gain on investments	(29,213)	(48,068)
(Increase) decrease in		
Prepaid rent	69,257	88,236
Miscellaneous receivable	-	(393)
Prepaid expenses	19,954	(34,614)
Increase (decrease) in		
ELCA payable	518,477	129,982
Accounts payable and other accrued expenses	(199,634)	201,532
Deferred Revenue	<u>(29,822)</u>	<u>36,000</u>
<b>Net cash provided by operating activities</b>	<u>747,140</u>	<u>103,798</u>
<i>Cash flows from investing activities</i>		
Purchase of equipment	(5,321)	(3,076)
Purchase of long-term investments	(39,974)	(34,408)
Proceeds from sale of long-term investments	35,000	32,500
Changes in short-term investments	<u>(399,638)</u>	<u>45,915</u>
<b>Net cash (used for) provided by investing activities</b>	<u>(409,933)</u>	<u>40,931</u>
<i>Cash flows from financing activities</i>		
Repayments on note payable	<u>(16,231)</u>	<u>(12,799)</u>
<b>Net cash used for financing activities</b>	<u>(16,231)</u>	<u>(12,799)</u>
<b>Net increase in cash</b>	320,976	131,930
<i>Cash</i>		
Beginning of year	<u>233,593</u>	<u>101,663</u>
<b>End of year</b>	<u>\$ 554,569</u>	<u>\$ 233,593</u>

# **SOUTHEASTERN PENNSYLVANIA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

## ***NOTES TO FINANCIAL STATEMENTS***

**January 31, 2014 And 2013**

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### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***ORGANIZATION AND PURPOSE***

The Southeastern Pennsylvania Synod of the Evangelical Lutheran Church in America (“*Synod*”) is one of sixty-five geographical synodical units of the Evangelical Lutheran Church in America (“*ELCA*”). The Synod lies within Region 7 of the ELCA.

#### ***BASIS OF ACCOUNTING***

The financial statements have been prepared on the accrual basis of accounting. Contributions from congregations received by the Synod represent calendar year (January through December) giving by congregations. These contributions are remitted to and support the fiscal year operations of the Synod.

#### ***ACCOUNTING ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as of January 31, 2014 and 2013, and the reported amounts of revenues and expenses for the years then ended. Actual results may differ from those estimates.

#### ***CASH AND CASH EQUIVALENTS***

Cash and cash equivalents consist of amounts held in highly liquid securities with maturities less than three months at the time of purchase are stated at cost, which approximates fair value.

#### ***CONCENTRATION OF CREDIT RISK***

The Synod occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

#### ***INVESTMENTS***

Investments are stated at market value with gains and losses, both realized and unrealized included in the statement of activities. The fair value of investments traded on a securities exchange is determined based on quoted market prices for those investments.

#### ***PROMISES TO GIVE***

Contributions are recognized when the donor makes a promise to give to the Synod that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are re-classified to unrestricted net assets and reported in the statement of activities and changes in net assets as “*net assets released from restrictions.*”

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**January 31, 2014 And 2013**

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***REAL ESTATE***

Real estate held consists of property of active congregations acquired by the Synod and is recorded at cost.

***LEASEHOLD IMPROVEMENTS AND EQUIPMENT***

Equipment and furniture are carried at cost. Depreciation is provided on a straight-line basis over their useful lives, which is 3-7 years. Leasehold improvements are carried at cost and amortization of such costs is provided over the term of the lease. Depreciation expense for the years ended January 31, 2014 and 2013 was \$14,007 and \$15,400, respectively.

***NET ASSETS***

***Unrestricted Net Assets*** – consist of net assets available for current operations.

***Temporarily Restricted Net Assets*** – consist of gifts and contributions for which donor-imposed restrictions have not been met.

***Permanently Restricted Net Assets*** – include gifts and contributions which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

***TAX-EXEMPT STATUS***

The Internal Revenue Service (“***IRS***”) has determined the Synod to be an “association of churches” and, therefore, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that contributions made to the Synod are deductible by the donors to the extent allowed by law.

The Synod has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

***RECLASSIFICATION***

Certain account balances in the 2013 financial statements have been classified to conform to the 2014 presentation.

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**January 31, 2014 And 2013**

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**(2) INVESTMENTS**

Investments at January 31 were as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
<b>Short-Term Investments</b>				
Savings, Certificates and Loans	\$ 958,085	\$ 958,085	\$ 577,591	\$ 577,591
Lutheran Brotherhood Money Market Fund	19,040	19,040	-	-
Mission Development Certificates – ELCA	<u>22,151</u>	<u>22,151</u>	<u>22,047</u>	<u>22,047</u>
<b>Total Short-Term Investments</b>	<u>999,276</u>	<u>999,276</u>	<u>599,638</u>	<u>599,638</u>
<b>Long-Term Investments</b>				
<b>Custodian Account</b>				
Money Market Funds	80,918	80,918	12,453	12,453
Mutual Funds	442,976	328,441	452,476	368,160
Common Stocks	<u>112,940</u>	<u>100,112</u>	<u>138,440</u>	<u>136,124</u>
<b>Total – Custodian Account</b>	<u>636,834</u>	<u>509,471</u>	<u>603,369</u>	<u>516,737</u>
Mission Development Certificates – ELCA	106,089	106,089	122,000	122,000
Mutual Funds – Bond	51,426	60,523	48,991	60,745
Mutual Funds – Equity	<u>238,889</u>	<u>455,882</u>	<u>235,793</u>	<u>380,185</u>
<b>Total Long-Term Investments</b>	<u>1,033,238</u>	<u>1,131,965</u>	<u>1,010,153</u>	<u>1,079,667</u>
<b>Total – Pooled Investment Funds</b>	<u>\$ 2,032,514</u>	<u>\$ 2,131,241</u>	<u>\$ 1,609,791</u>	<u>\$ 1,679,305</u>
<b>Equity in Pooled</b>				
<b>Investment Funds is allocated as follows:</b>				
Unrestricted	\$ 942,576		\$ 489,712	
Temporarily Restricted	489,256		491,851	
Permanently Restricted	<u>699,409</u>		<u>697,742</u>	
	<u>\$ 2,131,241</u>		<u>\$ 1,679,305</u>	

At January 31, 2014 and 2013, gross unrealized gains on investments were \$226,090 and \$156,146 and gross unrealized losses were \$127,363 and \$86,632, respectively.

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**January 31, 2014 And 2013**

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The Synod utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

- Level 1 – Unadjusted quoted prices in active markets at the measurement date for identical assets and/or liabilities. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.
- Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Synod’s investments as of January 31, 2014 are as follows:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Investments</b>				
Savings, Certificates and Loans	\$ 958,085	\$ 958,085	\$ -	\$ -
Money Market Funds	99,958	99,958	-	-
Mission Development Certificates	128,340	128,340	-	-
Common Stocks	100,112	100,112	-	-
Mutual Funds - Bond	60,523	60,523	-	-
Mutual Funds - Equity	<u>784,323</u>	<u>784,323</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,131,241</u>	<u>\$ 2,131,241</u>	<u>\$ -</u>	<u>\$ -</u>

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**January 31, 2013 And 2012**

The summary of inputs used to value the Synod's investments as of January 31, 2013 are as follows:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Investments</b>				
Savings, Certificates and Loans	\$ 577,591	\$ 577,591	\$ -	\$ -
Money Market Funds	12,453	12,453	-	-
Mission Development Certificates	144,047	144,047	-	-
Common Stocks	136,124	136,124	-	-
Mutual Funds - Bond	60,745	60,745	-	-
Mutual Funds - Equity	<u>748,345</u>	<u>748,345</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,679,305</u>	<u>\$ 1,679,305</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers between Level 1 and Level 2 during the years ended January 31, 2014 and 2013.

**(3) NOTE PAYABLE**

	<u>2014</u>	<u>2013</u>
ELCA Mission Investment Fund, 6.5%, due in monthly payments of \$2,577 through January 2024	<u>\$236,062</u>	<u>\$252,293</u>

Principal reduction of the note payable for succeeding years is as follows:

2015	\$ 16,059
2016	17,134
2017	18,282
2018	19,506
2019	20,813
2020 and thereafter	<u>144,268</u>
	236,062
Less: current portion	<u>16,059</u>
	<u>\$ 220,003</u>

The note payable was assumed by the Synod upon the closing of St. James Lutheran Church in Chalfont during the year ended January 31, 2008. Interest expense charged to operations during the years ended January 31, 2014 and 2013 totaled \$15,877 and \$17,785, respectively.

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**January 31, 2014 And 2013**

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**(4) NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Urban Philadelphia Conference	\$ 19,958	\$ 19,958
Faith and Leadership	375	375
Auxiliary Pastor	34,697	34,697
University/Incarnation Air Rights	109,319	106,231
Companion Synod Reserve	10,812	10,812
Candidacy Bequest	182,185	182,185
Resurrection Scholarships	7,000	7,000
Frank Clark Trust	20,000	20,000
Other	<u>104,910</u>	<u>110,593</u>
	<u>\$ 489,256</u>	<u>\$ 491,851</u>

Permanently restricted net assets are available for the following purpose:

	<u>2014</u>	<u>2013</u>
Investment in perpetuity, the income from which is separated into income reinvested in perpetuity, income remitted to beneficiary agencies and income which is expendable to support any activities of the Synod.	<u>\$699,409</u>	<u>\$697,742</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. These net assets were used for the following purposes:

Lutheran Charities agencies distributions	\$ 129,008
Various synodical programs	<u>35,884</u>
	<u>\$ 164,892</u>

**(5) PENSIONS**

The Synod participates in pension plans administered by Portico Benefit Services of the ELCA for all eligible employees. Contributions made on behalf of such employees are accumulated in separate accounts and, upon retirement, pension benefits are provided based on the balance in the separate account of the participant. The Synod's policy is to fund all pension costs on a current basis. Contributions to the pension plan for the years ended January 31, 2014 and 2013 were \$62,327 and \$70,646, respectively.

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**January 31, 2014 And 2013**

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**(6) LEASE COMMITMENTS**

The Synod entered into a lease agreement on May 15, 2008 with Lutheran Theological Seminary at Philadelphia (the “*Seminary*”) to occupy space in the basement of the Chapel on the Seminary’s campus. In connection with the lease agreement, the Synod would contribute \$1.5 million to cover one-half the cost of renovating the area for the Synod’s use to be borrowed from the Synod’s Fund for Mission. This payment would constitute payment of rent in advance for a term of 17 years. On January 15, 2009, this agreement was amended due to the economic conditions delaying the raising of necessary funds by the Seminary to complete the project, which was postponed. Under the terms of the amendment, the Seminary has provided interim space for the Synod to occupy for the term of the lease. As of January 31, 2009, the Synod had advanced \$696,061 of prepaid rent to the Seminary to be expensed over the term of the lease. Effective June 30, 2013 the rental agreement was extended to December 31, 2018 and the monthly rent reduced. The Synod shall be reimbursed all sums advanced less rent at \$7,353 per month through June 30, 2013 and \$4,642 after June 30, 2013, for the period from the date of its initial move to the date it has vacated the premises. The balance in prepaid rent was \$273,862 and \$343,119 as of January 31, 2014 and 2013, respectively.

**(7) REAL ESTATE SALES**

In connection with the sale of properties, the Synod records the net proceeds as follows: 85% to the Fund for Mission and 15% to the general operating budget.

During the year ended January 31, 2014, the Synod sold St. Luke, Dublin for a net sales price, after closing costs, of \$802,703, of which \$722,433 was recorded in the Fund for Mission and \$80,270 was recorded in operations.

**(8) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 27, 2014, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.

## **SUPPLEMENTAL INFORMATION**

**SOUTHEASTERN PENNSYLVANIA SYNOD  
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**RECEIPTS AND DISBURSEMENTS –  
OPERATING, DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS**

**Year Ended January 31, 2014**

	<u>Balance January 31, 2013</u>	<u>Including Interfund Transfers Receipts</u>	<u>Disbursements</u>	<u>Balance January 31, 2014</u>
<b>Undesignated</b>				
General operating	\$ -	\$ 3,230,700	\$ 3,230,700	\$ -
<b>Designated net assets</b>				
<b>Fund for Mission</b>	<u>\$ 89,524</u>	<u>\$ 756,641</u>	<u>\$ 361,993</u>	<u>\$ 484,172</u>
<b>Other</b>				
Educational Ministry	4,479	-	-	4,479
Salary Sustentation	17,458	-	-	17,458
Youth Ministry	-	8,505	-	8,505
Other	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
<b>Total other</b>	<u>22,017</u>	<u>8,505</u>	<u>-</u>	<u>30,522</u>
<b>Total designated net assets</b>	<u>\$ 111,541</u>	<u>\$ 765,146</u>	<u>\$ 361,993</u>	<u>\$ 514,694</u>
<b>Temporarily restricted net assets</b>				
Auxiliary Pastor	\$ 34,697	\$ -	\$ -	\$ 34,697
Candidacy Bequest	182,185	-	-	182,185
Faith and Leadership	375	-	-	375
Resurrection Scholarships	7,000	-	-	7,000
Comp Synod Reserve	10,812	-	-	10,812
University/Incarnation Air Rights Fund	106,231	3,088	-	109,319
Urban Philadelphia Conference	19,958	-	-	19,958
Frank Clark Trust	20,000	-	-	20,000
Other	<u>110,593</u>	<u>2,317</u>	<u>8,000</u>	<u>104,910</u>
<b>Total temporarily     restricted net assets</b>	<u>\$ 491,851</u>	<u>\$ 5,405</u>	<u>\$ 8,000</u>	<u>\$ 489,256</u>