

***NORTH AMERICAN LUTHERAN CHURCH  
NEW BRIGHTON, MINNESOTA***

***FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION  
YEAR ENDED DECEMBER 31, 2018***

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## **INDEPENDENT AUDITOR'S REPORT**

Executive Council  
North American Lutheran Church  
New Brighton, Minnesota

We have audited the accompanying financial statements of the North American Lutheran Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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 the financial statements that are free from material misstatements, 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 risk 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 North American Lutheran Church as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report of Summarized Comparative Information**

We have previously audited North American Lutheran Church's 2017 financial statements, and our report dated August 2, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Shidell Mair & Richardson PLLP*

June 21, 2019  
St. Paul, Minnesota

**NORTH AMERICAN LUTHERAN CHURCH**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

(With summarized information for the year ended December 31, 2017)

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 2,696,309	\$ 2,523,447
Certificates of deposits	410,578	407,225
Accounts receivable	24,438	14,641
Bequest receivable	90,000	-
Prepaid expenses	72,640	45,200
Furniture, equipment and computers, net	10,261	1,062
Total assets	<u>\$ 3,304,226</u>	<u>\$ 2,991,575</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 120,035	\$ 100,233
Accrued compensation	67,446	60,518
Grants payable	6,245	10,000
Registration deposits	7,999	7,155
Due to others	15,358	4,296
Total liabilities	<u>217,083</u>	<u>182,202</u>

**Net Assets**

Without donor restrictions		
Designated	1,100,800	990,800
Undesignated	397,366	371,407
Total unrestricted net assets	1,498,166	1,362,207
With donor restrictions	1,588,977	1,447,166
Total net assets	<u>3,087,143</u>	<u>2,809,373</u>
Total liabilities and net assets	<u>\$ 3,304,226</u>	<u>\$ 2,991,575</u>



**NORTH AMERICAN LUTHERAN CHURCH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With summarized information of the year ended December 31, 2017)

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, gains and other support:</b>				
<b>Contributions:</b>				
Individuals	\$ 302,974	\$ 404,397	\$ 707,371	\$ 447,982
Congregations	1,655,711	542,102	2,197,813	2,692,811
Other	17,661		17,661	11,697
Total public support and revenue	1,976,346	946,499	2,922,845	3,152,490
<b>Other Revenue:</b>				
Service fees	9,460		9,460	11,440
Investment revenue	7,479		7,479	3,757
Other	11,113		11,113	6,938
Registrations	142,448		142,448	172,274
Total other revenue	170,500		170,500	194,409
Total revenue, gains and other support	2,146,846	946,499	3,093,345	3,346,899
<b>Net assets released from restrictions</b>	804,688	(804,688)		
Total revenue and reclassifications	2,951,534	141,811	3,093,345	3,346,899
<b>Expenses:</b>				
<b>Program Activities:</b>				
Missions and Evangelism	282,178		282,178	312,947
Theological Education and Clergy	816,401		816,401	730,583
Congregational Services	520,728		520,728	641,142
Ecumenical and Inter-Lutheran	117,591		117,591	115,436
Convocation/Conferences	420,877		420,877	456,394
NALC - CS	48,834		48,834	-
Communications	221,292		221,292	225,897
Mission Districts	123,586		123,586	150,778
Total program activities	2,551,487		2,551,487	2,633,177
<b>Support Activities:</b>				
Fund raising	11,513		11,513	9,482
Management and general	252,575		252,575	284,008
Total support activities	264,088		264,088	293,490
Total program and support activities	2,815,575		2,815,575	2,926,667
<b>Change in net assets</b>	135,959	141,811	277,770	420,232
<b>Net Assets, beginning of year</b>	1,362,207	1,447,166	2,809,373	2,389,141
<b>Net Assets, end of year</b>	<u>\$ 1,498,166</u>	<u>\$ 1,588,977</u>	<u>\$ 3,087,143</u>	<u>\$ 2,809,373</u>

**NORTH AMERICAN LUTHERAN CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

(With summarized information for the year ended December 31, 2017)

	2018										2017			
	Program Activities										Support Activities			
	Missions and Evangelism	Theological Education and Clergy	Congregational Services	Ecumenical and Inter-Lutheran	Convocation / Conferences	NALC - CS	Communications	Mission Districts	Total Program Expenses	Fund Raising Expense	Management and General	Total Support Expenses	Total Functional Expenses	
Functional expenses														
Salaries	\$ 107,904	\$ 94,037	\$ 108,529	\$ 65,818	\$ 115,874	\$ 30,037	\$ 98,472	\$ 65,152	\$ 685,823	\$ 4,596	\$ 110,496	\$ 115,092	\$ 800,915	\$ 770,541
Contract salaries		5,991	66,098				13,810		85,899				85,899	62,345
Employee benefits	33,463	24,052	29,873	19,634	32,360	8,775	25,403	18,740	192,300	1,366	29,524	30,890	223,190	211,853
Payroll taxes	2,819	2,410	1,928	785	4,966	291	4,196	843	18,238	317	4,081	4,398	22,636	15,644
Total salaries and related expenses	144,186	126,490	206,428	86,237	153,200	39,103	141,881	84,735	982,260	6,279	144,101	150,380	1,132,640	1,060,383
Professional services	419	32,569	7,881	251	866	114	413	246	42,759	18	20,156	20,174	62,933	52,759
Telephone	2,492	2,187	3,568	1,491	2,648	676	2,453	1,465	16,980	108	2,491	2,599	19,579	19,880
Occupancy	1,903	1,670	2,725	1,138	2,022	516	1,873	1,119	12,966	83	1,903	1,986	14,952	18,528
Computer/website expense	1,287	2,628	3,324	523	1,840	202	30,977	439	41,220	2,214	3,349	5,563	46,783	52,454
Postage	505	492	775	302	536	137	496	336	3,579	22	504	526	4,105	3,335
Office expenses	4,199	14,333	6,120	6,721	667	170	1,142	715	34,067	1,803	4,403	6,206	40,273	40,412
Convocation/Conference expenses	941	21,950			235,038				257,929				257,929	313,391
Executive Council travel											47,581	47,581	47,581	31,269
Task Force travel	8,137	105,009	5,267	7,385		1,191	2,263	21,223	150,475		5,457	5,457	155,932	181,887
Staff travel	25,994	64,110	32,565	12,956	23,016	6,458	21,316	12,730	199,145	943	21,649	22,592	221,737	225,382
Insurance	614	539	880	367	653	167	604	361	4,185	27	613	640	4,825	4,746
Seminarian scholarships		143,500							143,500				143,500	106,762
Ministry gifts	53,000	12,000	33,000						98,000				98,000	85,000
Educational expenses		264,378							264,378				264,378	295,506
Other grants	38,133	20,000	217,668						275,801				275,801	410,151
Printing		4,223					17,512		21,735				21,735	21,181
Total before depreciation	281,810	816,078	520,201	117,371	420,486	48,734	220,930	123,369	2,548,979	11,497	252,207	263,704	2,812,683	2,923,026
Depreciation	368	323	527	220	391	100	362	217	2,508	16	368	384	2,892	3,641
Total expenses	\$ 282,178	\$ 816,401	\$ 520,728	\$ 117,591	\$ 420,877	\$ 48,834	\$ 221,292	\$ 123,586	\$ 2,551,487	\$ 11,513	\$ 252,575	\$ 264,088	\$ 2,815,575	\$ 2,926,667

See notes to the financial statements

**NORTH AMERICAN LUTHERAN CHURCH**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With summarized information for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 277,770	\$ 420,232
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,892	3,641
(Gain) loss on disposal of equipment	-	4,964
(Increase) decrease in operating assets:		
Accounts receivable	(99,797)	(2,475)
Prepaid expenses	(27,440)	3,668
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	19,802	81,535
Grants payable	(3,755)	(2,000)
Registration deposits	844	(5,628)
Due to others	11,062	(4,355)
Accrued compensation	6,928	2,308
Net cash provided by operating activities	<u>188,306</u>	<u>501,890</u>
<b>Cash flows from investing activities:</b>		
Purchase of certificates of deposits	(3,353)	(1,965)
Purchase of equipment	<u>(12,091)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(15,444)</u>	<u>(1,965)</u>
Net increase in cash and cash equivalents	172,862	499,925
<b>Cash and cash equivalents - beginning of period</b>	<u>2,523,447</u>	<u>2,023,522</u>
<b>Cash and cash equivalents - end of period</b>	<u><u>\$ 2,696,309</u></u>	<u><u>\$ 2,523,447</u></u>



## **NORTH AMERICAN LUTHERAN CHURCH NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. NATURE OF THE ORGANIZATION**

The North American Lutheran Church (NALC) is a Christian denominational church body whose membership is comprised of Lutheran congregations and Lutheran ordained ministers. The NALC is a church body committed to the authority of the Bible as the inspired Word of God and the authoritative source and norm of its proclamation, faith, and life, according to the teachings of the Lutheran Confessions. The NALC is governed by an annual Convocation comprised of its ordained clergy and delegates from each of its congregations. The NALC is led by a Bishop elected by the Convocation. An Executive Council elected by the Convocation holds governance authority between Convocations. The NALC's support comes primarily from contributions from congregations and individuals. The NALC also receives registration fees for various conferences.

The NALC has committed to organize its common life around four core values:

- 1) Christ Centered: The NALC confesses the apostolic faith in Jesus Christ according to the Holy Scriptures. The NALC affirms the authority of the Scriptures as the authoritative source and norm, "according to which all doctrines should and must be judged" (Formula of Concord). The NALC accepts the ecumenical creeds and the Lutheran Confessions as true witnesses to the Word of God.
- 2) Mission Driven: The NALC believes that the mission of the Church is to preach the Gospel and to make disciples for Christ. The NALC believes that making disciples - in its congregations, in its communities and nations, and around the world - must be a priority of the Church in the present age.
- 3) Traditionally Grounded: The NALC affirms the faithful witness of the Church across time and space. The NALC endorses the form and practices of the universal Church that are consistent with Scripture, particularly the office of the ministry and the tradition of worship under Word and Sacrament. The NALC seeks dialogue and fellowship with other Lutheran churches and with faithful Christians of other confessions.
- 4) Congregationally Focused: The NALC strives to be a church body that is organized to facilitate the ministries of local congregations in a posture of servanthood and a spirit of partnership, through the provision of resources, connections, advice and information.

**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF THE ORGANIZATION - (Continued)**

**The NALC's key programs and activities include the following:**

**Missions and Evangelism**

The NALC provides organizational and financial assistance to newly formed and/or small member congregations. The NALC also provides training programs for clergy and lay leaders of mission start congregations. The NALC further provides financial and other assistance to mission congregations, missionaries and partner church bodies in countries outside of North America. To these ends, the NALC has established a Great Commission Fund to support specific mission projects including new congregation starts and missionaries.

**Theological Education, Ordination and Clergy Roster**

The NALC operates a joint venture in seminary education, the North American Lutheran Seminary (NALS), in partnership with Trinity School for Ministry in Ambridge, PA. The NALC also provides advice and assistance to seminarians at the NALS and elsewhere considering ordination in the NALC, and offers an annual retreat for such seminarians. The NALC has established a Theological Education Fund to support the training and continuing education of NALC pastors.

A committee of the NALC examines candidates for ordination in the NALC and makes recommendations to the Executive Council for ordination. The NALC maintains a clergy roster of pastors who have been examined, credentialed and approved for ministry in the NALC, and provides assistance to pastors seeking new congregational calls.

**Congregational Services**

The NALC provides a variety of services to its member congregations, including assistance in the process of calling a new pastor and assistance for renewing and revitalizing congregations. The NALC also provides recommendations to congregations of resources and ministries which can be helpful in parish life and programs.

The NALC has established a Disaster Response Fund to provide emergency assistance to North American congregations and individuals, both inside and outside of the NALC, who are affected by natural disasters.

**Ecumenical and Inter-Lutheran Relations**

The NALC is committed to dialogue and cooperation with other faithful Lutheran and Christian church bodies, both in North America and elsewhere in the world.



## **NORTH AMERICAN LUTHERAN CHURCH NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. NATURE OF THE ORGANIZATION - (Continued)**

#### **Convocation/Conferences**

The Annual Convocation elects the Bishop, Executive Council, Court of Adjudication, NALS Board of Regents, and four members of the NALC – CS Board, and affirms the Executive Council's appointments to the Nominating Committee. The Convocation adopts an annual budget, considers significant resolutions and teaching statements, and receives reports from the staff and committees. An annual theological conference provides presentations by theologians on significant theological issues for the education of Lutherans. A mission festival is held concurrently with the Convocation for mission planters, mission congregations and those seeking to revitalize existing congregations. A pastor's conference is offered annually for professional growth, community building and sharing of best practices among the clergy of the NALC.

#### **NALC – CS**

The NALC provides certain ecclesiastical services to The North American Lutheran Church – Canada Section (NALC-CS), which is a Canadian registered charity and an incorporated entity. The NALC-CS is the NALC's legal entity in Canada. Services provided upon the request of the NALC-CS include theological education, assistance to congregations in the pastoral call process and in other contexts, assistance with legal matters, participation in conferences and conventions, and general ecclesiastical oversight. The NALC-CS reimburses the NALC for certain of these services on an actual cost basis.

#### **Communications**

The Communications team reviews the NALC newsletter, website, social media and videos and works with the NALC Communications Director and staff for the purpose of developing the strategy and improving the effectiveness of NALC communications.

#### **Mission Districts**

Mission districts are congregations that join in collaboration to fulfill most effectively the ministry and mission of the NALC. The Mission districts are normally based on common geographic boundaries.

**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are described as follows:

**Classes of Net Assets**

The financial statements report amounts separately by class of net assets:

- a) Net assets without donor restrictions are those currently available at the discretion of the Executive Council for use in the NALC's ministries.
- b) Net assets with donor restrictions are those which are restricted by donors either temporarily or in perpetuity. Net assets with temporarily restrictions are restricted by the donor for specific operating purposes, time restrictions, or for the acquisition of land, buildings, and equipment. Net assets with donor restrictions in perpetuity are those restricted by donors as endowments or irrevocable trusts. The NALC has no net assets with donor restrictions in perpetuity.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the NALC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The NALC maintains their cash balances at four financial institutions in Minnesota. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation.

**Financial Statement Presentation**

Management of the NALC uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

**Comparative Information**

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the NALC's financial statements for the year ended December 31, 2017, from which the summarized information was derived.



**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Equipment and Leasehold Improvements**

All major expenditures for equipment and leasehold improvements are capitalized at cost. Contributed equipment is recorded at fair market value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from three to ten years.

**Functional Allocation of Expenses**

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting activity, are allocated based on the best estimates of management.

**Reclassification**

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

**Public Support, Revenue, and Expenses**

Contributions are recognized when the donor makes a promise to give to the NALC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Bequests are recorded as income at the time the NALC has an established right to the bequest and the proceeds are measurable.

**Income Tax**

The NALC is an "association of churches" within the meaning of Section 508(c)(1)(a) of the Internal Revenue Code (the "IRC"), and consequently is exempt from taxes under Section 501(c)(3) of the IRC without obligation to seek such recognition affirmatively from the Internal Revenue Service. Nonetheless, by the letter dated March 7, 2012, the NALC has been affirmatively determined by the Internal Revenue Service to be exempt from Federal income taxes under Section 501(c)(3) of the IRC. Therefore, no provision for income taxes is made in the accompanying financial statements. In addition, pursuant to Section 6033(a)(3)(a)(i) of the IRC, as an "association of churches" the NALC is not required to file information returns with the Internal Revenue Service. The NALC would be required to pay Federal and State income taxes on unrelated business income within the meaning of the IRC.

**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Income Tax (Continued)**

The NALC records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Interest related to unrecognized tax positions is recognized in interest expense and penalties in management and general expenses. The NALC has not recorded any liabilities for unrecognized tax positions. The NALC has not generated any unrelated business income and, therefore, has no income tax return subject to examination by U.S. Federal, state or local taxing authorities.

**Donated Services**

The NALC records donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The value of donated services is determined based on the fair value of the services received or the increase in the fair value of the assets attributable to the donated services.

**Liquidity and Availability of Financial Assets**

The NALC has \$1,031,548 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$2,696,309, certificates of deposits of \$410,578, accounts and bequest receivables of \$114,438, and is reduced by the net assets with donor restrictions of \$1,588,977 and board designated net assets of \$600,800. The NALC has designated net assets of \$500,000 in the Emergency Reserve Fund which represents funds available to cover operating expenses. This amount is included in the financial assets available in one year.

The NALC is mainly supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the NALC 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 NALC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Recent Accounting Pronouncements**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The NALC has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the NALC's financial statements:

- a) The unrestricted net asset class has been renamed net assets without donor restrictions.
- b) The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- c) The financial statements include a new disclosure about liquidity and availability of resources.

**Subsequent Events**

The NALC recognizes, in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements.

The management of the NALC evaluated subsequent events for financial reporting through June 21, 2019, the date the financial statements were available to be issued.

**NOTE 3. CERTIFICATES OF DEPOSITS**

Certificates of deposits approximate market value and consist of investments with original maturities of twelve to eighteen months with interest rates varying from .56% to .80%. Certificates of deposit with maturities of three months or less from the original date of purchase are included in cash and cash equivalents.

**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4. LEASING ACTIVITIES**

The NALC leases office space in Minnesota under a lease agreement which was entered into on September 29, 2017. This lease expires October 31, 2022 and calls for minimum monthly payments of \$1,240 increasing to \$1,395 in 2022. The lease may be terminated by either party on each anniversary of the commencement date with a 120-day written notice.

Total rent expense for the year ended December 31, 2018 was \$14,952.

Minimum annual lease payments are as follows for the years ended December 31,:

2019	\$	15,400
2020		15,862
2021		16,338
2022		13,954
	\$	<u>61,554</u>

**NOTE 5. PENSION PLAN**

The NALC has a 403(b) pension plan. The plan is a voluntary retirement plan that is offered to all eligible employees. The plan is an employer funded tax deferred annuity plan. Employees are fully vested in their contributions. Total pension expense for the year ended December 31, 2018 was \$82,811.

**NOTE 6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

The NALC owns the following as of December 31, 2018:

Equipment	\$	23,674
Leasehold Improvements		1,508
Website		<u>15,000</u>
		40,182
Less accumulated depreciation		<u>(29,921)</u>
	\$	<u>10,261</u>



**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7. NET ASSETS**

**Net Assets with Donor Restrictions**

The temporarily restricted net assets as of December 31, 2018 were restricted for use in the NALC's programs as follows:

Theological Education Fund	\$ 925,108
Great Commission Fund	13,937
Disaster Response Fund	535,102
Ethiopian Church Relief Fund	29,317
Other	85,513
	<u>\$ 1,588,977</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of other events specified by the donors, or by the passage of time. Net assets released from restrictions for the year ended December 31, 2018 are as follows:

Theological Education Fund	\$ 494,429
Great Commission Fund	94,702
Disaster Response Fund	169,211
Ethiopian Church Relief Fund	36,731
Other	9,615
	<u>\$ 804,688</u>

**Designated Net Assets**

The Executive Council of the North American Lutheran Church has established four designated funds from net assets without donor restrictions as follows:

**Great Commission Fund**

The Great Commission Fund is a dedicated fund that is used in support of new mission starts, mission congregations and missionaries. Individuals and congregations may contribute to the fund.

**Theological Education Fund**

The Theological Education Fund is a dedicated fund that is used to support seminarians who are candidates for ordained ministry in the NALC, to support the operations of the NALS, and for other purposes related to Theological Education. Individuals and congregations may contribute to the fund.

**NORTH AMERICAN LUTHERAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7. NET ASSETS - (Continued)**

**Emergency Reserve Fund**

The purpose of the Emergency Reserve Fund is to have sufficient funds in reserve to cover at least three months of the NALC's regular, recurring expenses should there be a significant disruption in income from donors or a costly, unbudgeted emergency expense.

**The Pastoral Care Fund**

The purpose of the Pastoral Care Fund is to assist pastors and their spouses with the costs of seeking professional assistance following traumatic events in their lives or extremely difficult conflict situations in congregations.

Activity in the designated net assets for the year ended December 31, 2018, is as follows:

Designated net assets - beginning of year	\$ 990,800
Designated additions - during the year	110,000
Designated expenditures - during the year	<u>-</u>
Designated net assets - end of year	<u><u>\$ 1,100,800</u></u>

Designated net assets as of December 31, 2018, consists of:

Great Commission Fund	\$ 215,800
Theological Education Fund	375,000
Emergency Reserve Fund	500,000
Pastoral Care Fund	<u>10,000</u>
	<u><u>\$ 1,100,800</u></u>

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

Executive Council  
North American Lutheran Church  
New Brighton, Minnesota

We have audited the financial statements of the North American Lutheran Church, as of and for the year ended December 31, 2018, and have issued our report thereon dated June 21, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating income (loss) is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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.

*Shidell Mair & Richardson PLLP*

June 21, 2019  
St. Paul, Minnesota



**NORTH AMERICAN LUTHERAN CHURCH  
SCHEDULE OF OPERATING INCOME (LOSS)  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenue:</b>		
Donations:		
Individual	\$ 302,974	\$ 133,603
Congregation	1,655,711	1,618,426
Mission District	4,100	11,000
Other	13,561	697
Total Donations	<u>1,976,346</u>	<u>1,763,726</u>
Other Income:		
Registrations	142,448	172,275
DVD/Media sales	1,385	2,580
Promotional items	-	4,150
Candidacy fees	9,460	11,440
Ecclesial Services - Canada	7,868	-
Interest income	7,479	3,757
Other income	1,860	5,171
Gain (loss) on sale of equipment	-	(4,964)
Total other income	<u>170,500</u>	<u>194,409</u>
Total operating revenue	<u>2,146,846</u>	<u>1,958,135</u>
<b>Operating Expenses:</b>		
Organizations and Meetings:		
Convocations and conferences	240,476	292,841
Executive Council	47,581	31,269
Committees and Task Force	143,112	141,763
Mission Team and Discipleship	8,137	14,143
Disaster Response Teams	-	26,849
Total organizations and meetings	<u>439,306</u>	<u>506,865</u>
Communications:		
Website/DVD	30,017	35,530
Newsletter and postage	17,512	21,010
Printing-brochures/stationary	4,003	6,290
Total communications	<u>51,532</u>	<u>62,830</u>

**NORTH AMERICAN LUTHERAN CHURCH  
SCHEDULE OF OPERATING INCOME (LOSS)  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<b>Operating Expenses:</b>		
Administrative expenses:		
Rent	14,952	18,528
Professional fees	54,926	39,100
Telephone	17,375	17,429
Insurance	9,447	6,573
Software and IT support	15,184	14,974
Office supplies, equipment and expense	10,711	10,407
Depreciation	2,892	3,641
Total administrative expenses	<u>125,487</u>	<u>110,652</u>
Staff expenses:		
Staff salary and wages	878,241	839,530
Staff taxes and benefits	223,394	214,445
Staff travel	169,088	198,299
Total staff expenses	<u>1,270,723</u>	<u>1,252,274</u>
Other:		
Bishop's discretionary fund	4,683	10,107
Support for ministry partners	90,000	85,000
Miscellaneous	29,156	27,563
Total other	<u>123,839</u>	<u>122,670</u>
Total operating expenses	<u>2,010,887</u>	<u>2,055,291</u>
Net operating income (loss)	<u>135,959</u>	<u>(97,156)</u>
<b>Restricted/Designated Funds:</b>		
Donations	946,499	1,388,764
Distributions	804,688	871,376
Net restricted operations	<u>141,811</u>	<u>517,388</u>
Net change in net assets	<u>\$ 277,770</u>	<u>\$ 420,232</u>