

*NORTH AMERICAN LUTHERAN CHURCH
NEW BRIGHTON, MINNESOTA*

*FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010*

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

3570 Lexington Avenue North • Suite 300
St. Paul, Minnesota 55126-8077
651/482-1698 • fax 651/482-8737
www.cksm.com

**Cornell
Kahler
Shidell &
Mair,
PLLP**

**Certified Public
Accountants**

INDEPENDENT AUDITOR'S REPORT

Executive Council
North American Lutheran Church
New Brighton, Minnesota

We have audited the accompanying statement of financial position of the North American Lutheran Church (the Organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the period from August 27, 2010 (date of inception) to December 31, 2010. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of North American Lutheran Church as of December 31, 2010, and the changes in its net assets and its cash flows for the period from August 27, 2010 (date of inception) to December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Cornell Kahler Shidell & Mair, PLLP

April 20, 2011
St. Paul, Minnesota

**NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

ASSETS

Cash and cash equivalents	\$	78,065
Due from related organization		1,020,097
Prepaid expenses		4,898
		4,898
Total assets		\$ 1,103,060

LIABILITIES AND NET ASSETS

Liabilities

Due to related organization	\$	4,898
		4,898
Total liabilities		4,898

Net Assets

Unrestricted		94,162
Temporarily restricted		1,004,000
		1,098,162
Total net assets		1,098,162
Total liabilities and net assets		\$ 1,103,060

See notes to financial statements

**NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM AUGUST 27, 2010 (DATE OF INCEPTION)
TO DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Contributions			
Individuals	\$ -	\$ 1,000,000	\$ 1,000,000
Congregations	73,172		73,172
Deaneries	1,000		1,000
Other	20,097	7,257	27,354
Total public support and revenue	<u>94,269</u>	<u>1,007,257</u>	<u>1,101,526</u>
Net assets released from restrictions	<u>3,257</u>	<u>(3,257)</u>	<u>-</u>
Total revenue and reclassifications	<u>97,526</u>	<u>1,004,000</u>	<u>-</u>
Expenses:			
Program Activities:			
Mission and Evangelism	3,257		3,257
Support Activities:			
Management and general	<u>107</u>		<u>107</u>
Total program and support activities	<u>3,364</u>	<u>-</u>	<u>3,364</u>
Change in net assets	94,162	1,004,000	1,098,162
Net Assets, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of period	<u>\$ 94,162</u>	<u>\$ 1,004,000</u>	<u>\$ 1,098,162</u>

See notes to financial statements

**NORTH AMERICAN LUTHERAN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD FROM AUGUST 27, 2010 (DATE OF INCEPTION)
TO DECEMBER 31, 2010**

	<u>Program Activities</u>		<u>Support Activities</u>		
	Missions and Evangelism	Total Program Expenses	Management and General	Total Support Expenses	Total Functional Expenses
<u>Functional expenses</u>					
Other grants	\$ 3,257	\$ 3,257			\$ 3,257
Printing			\$ 107	\$ 107	107
Total expenses	<u>\$ 3,257</u>	<u>\$ 3,257</u>	<u>\$ 107</u>	<u>\$ 107</u>	<u>\$ 3,364</u>

**NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM AUGUST 27, 2010 (DATE OF INCEPTION)
TO DECEMBER 31, 2010**

Cash flows from operating activities

Change in net assets	\$ 1,098,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	-
Due from related party	(1,020,097)
Prepaid expenses	(4,898)
Increase (decrease) in operating liabilities:	
Accounts payable	4,898
Net cash provided by operating activities	78,065
Net increase (decrease) in cash and cash equivalents	78,065
<u>Cash and cash equivalents - beginning of period</u>	-
<u>Cash and cash equivalents - end of period</u>	\$ 78,065

See notes to financial statements

**NORTH AMERICAN LUTHERAN CHURCH
NOTES TO 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. As of April 8, 2011, 155 congregations are members of the NALC. 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 has committed to organize its common life around four key attributes:

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 and information.

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

NOTE 1. NATURE OF THE ORGANIZATION – (Continued)

The Organization'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 Fund for Great Commission Grants to fund special mission projects including new congregation starts and missionaries.

Theological Education, Ordination and Clergy Roster

The NALC provides advice and assistance to seminarians considering ordination in the NALC, and is considering providing supplemental educational experiences to such seminarians. In particular, the NALC has established a Fund for Theological Education 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 Bishop 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 in particular, assistance in the process of calling a new pastor. The NALC also provides recommendations to congregations of resources and ministries which can be helpful in parish life and programs.

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 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) Unrestricted amounts are those currently available at the discretion of the Executive Council for use in the Organization's ministries, and those resources invested in land, buildings, and equipment.
- b) Temporarily restricted amounts are those which are restricted by donors for specific operating purposes or for the acquisition of land, buildings, and equipment.
- c) Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts. The Organization has no permanently restricted net assets.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balance at one financial institution in Minnesota. Accounts at the institution are insured by the Federal Deposit Insurance Corporation. At December 31, 2010, the Organization's cash balances were within FDIC limits.

Financial Statement Presentation

Management of the Organization 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 assets and liabilities, and the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

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

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

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.

Public Support, Revenue, and Expenses

Contributions are recognized when the donor makes a promise to give to the Organization 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 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 Organization has an established right to the bequest and the proceeds are measurable.

Income Tax

The Organization is an “association of churches” with 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. Therefore, no provision for income taxes is made in the accompanying financial statements. Nonetheless the Organization does intend to seek affirmative recognition from the Internal Revenue Service of its status as exempt from income taxes under Section 501(c)(3) of the IRC during 2011. In addition, pursuant to Section 6033(a)(3)(A)(i) of the IRC, as an “association of churches” the Organization is not required to file information returns with the Internal Revenue Service. The Organization would be required to pay Federal and State income taxes on unrelated business income within the meaning of the IRC.

The Organization 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 Organization has not recorded any liabilities for unrecognized tax positions. The Organization 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.

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

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

Donated Services

The Organization 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.

Advertising Costs

Advertising costs are expensed as incurred. The Organization incurred no advertising costs during the period ended December 31, 2010.

Subsequent Events

The Organization 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 financial statements.

The management of the Organization evaluated subsequent events for financial reporting through April 20, 2011, the date the financial statements were available to be issued.

NOTE 3. LEASED FACILITIES

The Organization will lease its offices space on a one year lease agreement effective January 1, 2011. The lease calls for minimum monthly payments of \$500. The organization has the option to renew the lease for an additional one year.

The Organization also leases two employees on a month to month basis unless terminated by either party with ten days written notice.

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

NOTE 4. RELATED PARTIES

The North American Lutheran Church (NALC) was formed by a convocation of the Lutheran Coalition for Renewal. Lutheran Coalition for Renewal received donations from individuals where the individuals specified that the beneficiary of the donation was to be the North American Lutheran Church. The donations that are to be transferred to NALC are included on the accompanying statement of financial position as due from related organization.

The due to related organization represents expenses paid by Lutheran Coalition for Renewal that will be reimbursed by NALC.

NOTE 5. NET ASSETS

The Organization's temporarily restricted net assets are as follows:

Purpose restricted	\$ 4,000
Time and purpose restricted	<u>1,000,000</u>
Total temporarily restricted	<u>\$1,004,000</u>