

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN
CHURCH IN AMERICA**

Financial Statements
and
Independent Auditors' Report
with Supplemental Schedule

Year Ended January 31, 2009

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Financial Statements and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Synod Council
New England Synod of the
Evangelical Lutheran Church in America
Worcester, Massachusetts

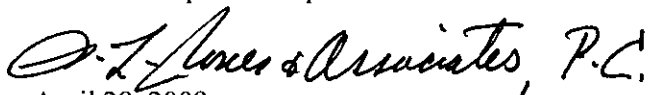
We have audited the accompanying statement of financial position of the New England Synod of the Evangelical Lutheran Church in America (the Synod) as of January 31, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Synod's management. Our responsibility is to express an opinion on these financial statements based on our 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 misstatements. 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.

The Synod has not consolidated with a related affiliate. As a result, required consolidated amounts are not presented. In our opinion, accounting principles generally accepted in the United States of America require that the related affiliate be consolidated. If the related affiliate were consolidated unrestricted net assets would be increased by \$3,492,284, temporary restricted net assets would be increased by \$388,074, and permanently restricted net assets would be increased by \$407,432 for the year then ended.

In our opinion, except for the effects of not consolidating with a related affiliate, as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the New England Synod of the Evangelical Lutheran Church in America as of January 31, 2009, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of expenses by operations are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.


April 29, 2009

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Statement of Financial Position

January 31, 2009

Assets

Current Assets:

Cash	\$ 210,964
Accounts receivable	52,302
Prepaid expenses	<u>9,365</u>
Total Current Assets	<u>272,631</u>

Property and Equipment, net	<u>362,748</u>
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Other Assets:

Investments	2,090,202
Assets held for sale	365,000
Split interest agreements	43,921
Other long-term assets	<u>13,115</u>
Total Other Assets	<u>2,512,238</u>

Total Assets	<u><u>\$ 3,147,617</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued expenses	\$ 41,428
Mission support due to the ELCA	137,961
Grant commitments payable	60,199
Agency funds held for others	<u>113,505</u>
Total Current Liabilities	<u>353,093</u>

Contingencies	-
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Net Assets:

Unrestricted	2,173,865
Temporarily restricted	462,052
Permanently restricted	<u>158,607</u>
Total Net Assets	<u>2,794,524</u>

Total Liabilities and Net Assets	<u><u>\$ 3,147,617</u></u>
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The accompanying notes are an integral part of these financial statements.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Statement of Activities

Year Ended January 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Mission support	\$ 2,223,288	\$ -	\$ -	\$ 2,223,288
Other support:				
Contributions	19,130	28,192	-	47,322
Grants	<u>68,106</u>	<u>14,000</u>	-	<u>82,106</u>
Total Support	<u>2,310,524</u>	<u>42,192</u>	-	<u>2,352,716</u>
Other revenue:				
Program fees and events	38,910	-	-	38,910
Special events	184,124	-	-	184,124
Contributions	346,190	-	-	346,190
Net investment return	(597,345)	(177,544)	-	(774,889)
Other income	<u>2,517</u>	<u>-</u>	<u>-</u>	<u>2,517</u>
Total Other Revenue	<u>(25,604)</u>	<u>(177,544)</u>	-	<u>(203,148)</u>
Net assets released from restrictions	<u>321,345</u>	<u>(321,345)</u>	-	<u>-</u>
Total Support and Other Revenue	<u>2,606,265</u>	<u>(456,697)</u>	-	<u>2,149,568</u>
Expenses:				
Program Expenses:				
ELCA mission support	1,225,411	-	-	1,225,411
Mission programs	570,484	-	-	570,484
Administrative Expenses:				
Ministry and support	858,974	-	-	858,974
Special Events	<u>156,785</u>	<u>-</u>	<u>-</u>	<u>156,785</u>
Total Expenses	<u>2,811,654</u>	<u>-</u>	<u>-</u>	<u>2,811,654</u>
Changes in Net Assets	(205,389)	(456,697)	-	(662,086)
Net Assets, beginning of year	2,656,502	932,012	158,607	3,747,121
Prior period adjustment	<u>(277,248)</u>	<u>(13,263)</u>	<u>-</u>	<u>(290,511)</u>
Net assets, end of year	<u>\$ 2,173,865</u>	<u>\$ 462,052</u>	<u>\$ 158,607</u>	<u>\$ 2,794,524</u>

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

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Statement of Cash Flows

Year Ended January 31, 2009

Cash Flows from Operating Activities:	
Changes in net assets	\$ (662,086)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	22,784
Non cash contributions	(346,190)
Unrealized loss on investments	894,253
Fair value adjustment of split interest agreements	5,897
Expenses paid directly from investments	3,350
Increase (decrease) in:	
Accounts receivable	62,116
Prepaid expenses	11,635
Increase (decrease) in:	
Accounts payable	(122,102)
Grant commitments payable	15,090
Agency funds held for others	71,148
Accrued expenses	<u>23,674</u>
Net Cash Used in Operating Activities	<u>(20,431)</u>
Cash Flows from Investing Activities:	
Purchases of property and equipment	(3,202)
Purchases of investments	(534,022)
Proceeds from investments	49,887
Collection of split interest agreement	26,802
Expenditures to acquire assets held for sale	(18,810)
Collection of notes receivable	<u>2,634</u>
Net Cash Used in Investing Activities	<u>(476,711)</u>
Cash Flows from Financing Activities:	
Repayment of long-term debt	<u>(3,080)</u>
Net Cash Used in Financing Activities	<u>(3,080)</u>
Net Decrease in Cash	(500,222)
Cash, beginning of year	<u>711,186</u>
Cash, end of year	<u>\$ 210,964</u>

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

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – New England Synod of the Evangelical Lutheran Church in America (the Synod) is a not-for-profit organization organized under the laws of the State of Pennsylvania, and is one of sixty-five autonomous synods of the Evangelical Lutheran Church in America (ELCA). The Synod's constituent congregations reside within the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and the counties of Clinton, Essex and Franklyn in the State of New York. The Synod is supported primarily by voluntary contributions from its constituent congregations. In accordance with the Synod's agreement with the Churchwide Agency, 55% of total unrestricted support (mission support) is remitted to the ELCA. Such amounts are used for the broader expression and global mission of the Church.

Financial Statement Presentation – The Synod reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions. The Synod has classified its financial statements to present these three classes of net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

These financial statements are intended solely for the information and use of the Synod Council and management and do not include the results of the Lutheran Outdoor Ministries of New England, Inc. a related entity required to be consolidated for external financial reporting purposes.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Property and Equipment – Property and equipment are carried at cost. Depreciation and amortization are computed using the straight-line method over the assets' useful life. Gains and losses on any disposition of property and equipment are reflected in income.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Grant Commitments Payable - Grant commitments payable consists of amounts set aside to assist in the establishment of a church in Nashua, New Hampshire and South Providence, Rhode Island.

Contributions, Gifts and Grants – The Synod records contributions, gifts and grants as revenue and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their estimated fair value on the date of the gift. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

Functional Allocation of Expenses – Allocation of the costs of providing the various programs and other activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between programs and supporting services benefited on the basis of estimates made by the Synod's management.

Income Tax Status – The Synod is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

Donated Services – The Synod receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because these services do not meet the criteria for recognition under SFAS No. 116.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at January 31, 2009:

	Estimated Useful Lives	
Land	-	\$ 16,075
Buildings	40 years	512,825
Furniture and equipment	5-10 years	138,772
Software	5 years	3,741
		<u>671,413</u>
Less: accumulated depreciation		<u>(308,665)</u>
Property and Equipment, net		<u>\$ 362,748</u>

Depreciation expense for the year ended January 31, 2009 was \$22,784.

3. INVESTMENTS

Investments, which are stated at fair value, are composed of the following at January 31, 2009:

	Cost	Market Value
ELCA Endowment Fund Pooled Trust	\$ 1,030,050	\$ 772,710
Mutual funds	1,458,584	970,729
Equities	3,000	4,309
Money market accounts	<u>342,454</u>	<u>342,454</u>
	<u>\$ 2,834,088</u>	<u>\$ 2,090,202</u>

Net Investment Return:

Interest and dividend income	\$ 119,364
Net unrealized loss on investments	<u>(894,253)</u>
Total Net Investment Return	<u>\$ (774,889)</u>

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

4. FAIR VALUE MEASUREMENTS

On February 1, 2008 the Synod adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157) for financial assets and liabilities recognized on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the disclosure requirements for fair value measurements. The adoption of SFAS 157 for financial assets and liabilities did not have a material impact on Synod's financial statements.

In determining the fair value measurements of financial assets and liabilities the Synod considered the principal and most advantageous market in which the Synod transacts and considered the assumptions that market participants would use when pricing the financial asset and liability. In accordance with SFAS 157, the Synod maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

The hierarchies of inputs required by SFAS 157 are as follows:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little if any, market activity for the asset or liability at the measurement date.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

4. FAIR VALUE MEASUREMENTS (continued)

The Synod's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at January 31, 2009 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ELCA Endowment Fund Pooled Trust	\$ 772,710	\$ -	\$ -	\$ 772,710
Mutual funds	970,729	-	-	970,729
Money market funds	342,454	-	-	342,454
Equities	4,309	-	-	4,309
Assets held for sale	-	-	365,000	365,000

Level 3 pricing is based on comparable real property values and management's estimates due to current market conditions.

5. ASSETS HELD FOR SALE

In December 2008, the Synod received a donation of two parcels of real estate located in Mt. Holly, Vermont. The donation was recorded at the property's estimated fair value of \$365,000. The Synod recognized revenue of \$346,190 after payment of legal and professional fees of \$18,810 related to the transaction. No depreciation is recognized on assets held for sale. The Synod has not made a final determination as to the use of these parcels.

6. SPLIT INTEREST AGREEMENTS

The Synod is the beneficiary of various gift annuities. At January 31, 2009, the present value of estimated future cash flows from these arrangements totaled \$43,921. During the terms of the agreements, the values are subject to adjustment for changes in fair value.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

7. OTHER LONG-TERM ASSETS

Other long-term assets consist of a note receivable from a Congregation due in monthly installments of \$262 including interest at 4.75%. The balance of this note is \$9,455 and it is due April 2012.

The other portion of other long-term assets is the cash value of a life insurance policy in which the Synod is the owner. The value at January 31, 2009 is \$3,660.

8. STATEMENT OF CASH FLOWS

Supplemental disclosure of cash flow information is as follows:

Cash paid during the year for interest	\$ <u>386</u>
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9. CONTINGENCIES

In the normal course of operations, the Synod may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Synod.

The National Lutheran Campus Ministry holds a mortgage note in the amount of \$90,018 secured by property in New Haven, Connecticut. Under the terms of the agreement, the Synod is not required to repay the loan unless the property ceases to be used in the manner contemplated by the agreement. No amount is included as a liability as no change is contemplated in its use.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or use at January 31, 2009:

Youth ministry	\$ 122,575
Congregation revitalization	122,189
Continuing education	78,678
Mission development	71,203
Remainder interest gifts	43,921
Bishop's discretionary fund	8,892
Resurrection Roxbury	5,842
Seminarian scholarships	5,433
First call	<u>3,319</u>
	<u>\$ 462,052</u>

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

Seminarian scholarships	<u>\$ 158,607</u>
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**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows:

Purpose restrictions accomplished:	
Mission development	\$ 122,504
Capital campaign	64,554
Remainder interest gifts	32,699
Designated gifts	32,293
Seminarian scholarships	23,951
Congregation revitalization	10,432
Youth ministry	10,290
Appeals	7,993
Continuing education	5,000
Resurrection Roxbury	4,758
Bishop's discretionary fund	4,448
Campus ministry grants	1,441
First call	681
Bishop's robes	<u>301</u>
	<u>\$ 321,345</u>

13. EMPLOYEE BENEFITS

The Synod is a participant in the ELCA's Pension and Other Benefits Program. Included in the program are medical and dental benefits, disability benefits, survivor benefits, and pension and optional pension plans.

The pension plans are organized under Internal Revenue Code Section 403(b). The required pension contribution for most employees is ten percent of defined compensation. In addition, employees may elect to defer additional amounts subject to various limitations. The Synod paid pension expenses of \$55,421 for the year ended January 31, 2009.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Notes to Financial Statements (continued)

14. CONCENTRATION OF CREDIT RISK

The Synod has cash in banks that at times exceeds the federally insured deposit limits. The Synod believes it is not exposed to any significant credit risk on cash balances. The financial stability of these institutions is continually reviewed by management.

15. RELATED PARTY TRANSACTIONS

The Synod provides support to the Lutheran Outdoor Ministries of New England, Inc. in the form of monthly payments of \$2,356 for mortgage servicing, support to the Youth Ministry program, and a campership grant. In addition, the Synod has declared its intention to contribute income generated from the Vernal M. Schnabel Trust to Calumet for its unrestricted use. The related party transactions are summarized as follows:

Payments on promises to assist with mortgage	\$ 16,495
Vernal M. Schnabel Trust income passed through to Calumet	26,850
Campership grants	3,500

16. PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of accounts receivable, an understatement of accounts payable and other miscellaneous amounts were discovered during the current year. Accordingly, during 2009 adjustments of approximately \$89,000 was made to reduce accounts receivable, approximately \$204,000 was made to increase accounts payable, and approximately \$3,000 was made to various accounts as of the beginning of the year. Corresponding entries were made to reduce previously reported net assets by \$290,511.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

Schedule of Expenses by Operations

Year Ended January 31, 2009

	Mission Programs	Ministry and Support
Personnel Expenses:		
Salaries and wages	\$ 69,396	\$ 477,717
Employee benefits	-	103,013
Payroll taxes	<u>2,614</u>	<u>15,425</u>
Total Personnel Expenses	<u>72,010</u>	<u>596,155</u>
Non-Personnel Expenses:		
Grants and support	383,652	1,876
Travel, training and meetings	57,981	60,806
Professional fees	25,837	108,005
Printing and publications	14,761	6,428
Supplies	9,157	11,013
Postage and shipping	5,755	5,679
Telephone	767	8,093
Occupancy	334	11,615
Membership dues and fees	125	240
Other expenses	65	2,974
Bank charges	40	4,475
Depreciation and amortization	-	22,784
Utilities	-	7,162
Insurance	-	6,771
Equipment rental and maintenance	<u>-</u>	<u>4,898</u>
Total Non-Personnel Expenses	<u>498,474</u>	<u>262,819</u>
	<u>\$ 570,484</u>	<u>\$ 858,974</u>

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