

# GRAND CANYON SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

(a non-profit religious corporation)

Financial Statements

January 31, 2022



**GRAND CANYON SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA**  
*(a non-profit religious corporation)*

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**January 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

To the Council of  
Grand Canyon Synod of the Evangelical Lutheran Church in America

### Opinion

We have audited the financial statements of Grand Canyon Synod of the Evangelical Lutheran Church in America (a nonprofit religious corporation), which comprise the statement of financial position as of January 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Canyon Synod of the Evangelical Lutheran Church in America as of January 31, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Canyon Synod of the Evangelical Lutheran Church in America's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grand Canyon Synod of the Evangelical Lutheran Church in America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Canyon Synod of the Evangelical Lutheran Church in America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among others, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of financial support on page 13 is presented for purposes 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 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.

A handwritten signature in black ink that reads "Metz & Associates PLLC".

Phoenix, Arizona  
June 6, 2022

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
*(a non-profit religious corporation)*

**Statement of Financial Position  
January 31, 2022**

**Assets**

Current Assets	
Cash and cash equivalents	\$ 3,041,810
Investments	1,642,183
Accounts receivable	10,568
Prepaid expenses	<u>5,116</u>
Total Current Assets	4,699,677
Property and Equipment	
Property and Equipment	26,923
Less: Accumulated depreciation	<u>(18,950)</u>
Net Property and Equipment	7,973
Other Assets	
Investments – with donor restrictions	628,357
Deposits	<u>3,062</u>
Total Other Assets	<u>631,419</u>
Total Assets	<u>\$ 5,339,069</u>

**Liabilities and Net Assets**

Current Liabilities	
Payable to ELCA	\$ 111,074
Accounts payable and accrued expenses	58,048
Funds held for others	<u>126,967</u>
Total Current Liabilities	<u>296,089</u>
Net Assets	
Without donor restrictions	3,405,846
With donor restrictions	<u>1,637,134</u>
Total Net Assets	<u>5,042,980</u>
Total Liabilities and Net Assets	<u>\$ 5,339,069</u>

See accompanying notes to financial statements.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
(a non-profit religious corporation)**

**Statement of Activities  
Year Ended January 31, 2022**

Changes in net assets without donor restrictions:	
Support and revenue	
Congregational and designated giving	\$ 1,804,481
Other income	1,312,803
Investment income	<u>92,082</u>
Total support and revenue without donor restrictions	3,209,366
Net assets released from restrictions	<u>326,414</u>
Total support and revenue without donor restrictions and net assets released from restrictions	<u>3,535,780</u>
Expenses:	
Program services	1,904,370
Management and general	277,287
Fundraising	<u>38,209</u>
Total expenses	<u>2,219,866</u>
Increase in net assets without donor restrictions	<u>1,315,914</u>
Changes in net assets with donor restrictions:	
Congregational and designated giving	166,850
Grants	15,000
Other income	283,390
Investment income	94,318
Net assets released from restrictions	<u>(326,414)</u>
Increase in net assets with donor restrictions	<u>233,144</u>
Change in net assets	1,549,058
Net assets at January 31, 2021	<u>3,493,922</u>
Net assets at January 31, 2022	<u>\$ 5,042,980</u>

See accompanying notes to financial statements.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
(a non-profit religious corporation)**

**Statement of Functional Expenses  
Year Ended January 31, 2022**

	Program Services				Support Services			Total Expenses
	Leadership Support & Development	Congregational Support & Development	Support of God's Work in God's World	Total Program Services	Management and General	Fundraising	Total Support Services	
Mission support-ELCA	\$ 339,372	339,372	339,372	\$ 1,018,116	\$ -	-	\$ -	\$ 1,018,116
Mission support -Reg II/I&A	7,080	10,504	247,416	265,000	-	-	-	265,000
Grants	-	153,014	21,653	174,667	-	-	-	174,667
Personnel	81,108	61,098	48,497	190,703	168,318	24,757	193,075	383,778
Professional fees and services	29,263	22,044	17,497	68,804	60,728	8,932	69,660	138,464
Communication	1,567	1,180	937	3,684	3,252	478	3,730	7,414
Postage & supplies	1,712	1,289	1,023	4,024	3,552	522	4,074	8,098
Administrative	-	-	-	-	17,382	-	17,382	17,382
Equipment and software	1,696	1,278	1,014	3,988	3,519	518	4,037	8,025
Occupancy	6,684	5,035	3,996	15,715	13,870	2,040	15,910	31,625
Travel	6,795	9,883	3,089	19,767	4,324	618	4,942	24,709
Program services	58,373	43,972	34,903	137,248	-	-	-	137,248
Depreciation and other	1,129	850	675	2,654	2,342	344	2,686	5,340
<b>Totals</b>	<b>\$ 534,779</b>	<b>649,519</b>	<b>720,072</b>	<b>\$ 1,904,370</b>	<b>\$ 277,287</b>	<b>38,209</b>	<b>\$ 315,496</b>	<b>\$ 2,219,866</b>

See accompanying notes to financial statements.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
(a non-profit religious corporation)**

**Statement of Cash Flows  
Year Ended January 31, 2022**

Cash flows from operating activities:	
Change in net assets	\$ 1,549,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,036
Unrealized gain on investments	(104,077)
Forgiveness of Payroll Protection Program loan	(29,275)
Net change in operating assets and liabilities:	
Accounts receivable	9,717
Prepaid expense	(347)
Payable to ELCA	23,983
Accounts payable and accrued expenses	27,198
Funds held for others	<u>12,534</u>
Net cash provided by operating activities	1,493,827
Cash flows from an investing activity:	
Purchase of investments	<u>(76,140)</u>
Net cash used in an investing activity	<u>(76,140)</u>
Net increase in cash and cash equivalents	1,417,687
Cash and cash equivalents at beginning of year	<u>1,624,123</u>
Cash and cash equivalents at end of year	\$ <u>3,041,810</u>

See accompanying notes to financial statements.



**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
(a non-profit religious corporation)**

**Notes to Financial Statements  
January 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities* – The Grand Canyon Synod of the Evangelical Lutheran Church in America (the Synod) was incorporated in 1986 as a non-profit religious corporation. Its purpose is to promote the Christian religion according to the tenets of faith set forth in the Constitution of the Evangelical Lutheran Church in America. The Synod is comprised of approximately 100 congregations in Arizona and southern Nevada. The officers and members of the Synod Council are elected by the Synod Assembly. The Synod Assembly is comprised of ordained ministers, associates in ministry, diaconal ministers and congregational lay members.

*Basis of Accounting* – The accounts of the Synod are maintained, and the financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

*Basis of Presentation* – Financial statement presentation follows the recommendation promulgated by the Financial Accounting Standard Board (FASB), collectively GAAP. Accordingly, the Synod is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenue, and expenses are classified as without donor restrictions and with donor restrictions based upon the following criteria:

*Without Donor Restrictions* represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

*With Donor Restrictions* consists of contributed funds, subject to specific donor imposed restrictions, contingent upon specific performance of future events or a specific passage of time before the Synod may spend the funds.

*Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Actual results could differ from those estimates.

*Concentrations of Credit Risk* – Financial instruments which potentially subject the Synod to concentrations of credit risk include cash deposits maintained in excess of Federal Deposit Insurance Corporation (“FDIC”) and Securities Investor Protection Corporation (“SIPC”) limits throughout the year. The Company maintains mutual fund balances included in cash and cash equivalents. These funds are not insured by the Federal Deposit Insurance Corporation. At January 31, 2022, the Synod’s uninsured cash balances totaled \$2,722,571.

*Property and Equipment* – Property and equipment is recorded at cost, or if donated, at estimated fair value at donation date. Repairs, maintenance, and minor replacements are expensed as incurred. For financial reporting purposes, depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from five to ten years. The Synod capitalizes its property and equipment in excess of \$3,000.

*Revenue Recognition* – Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**Notes to Financial Statements  
January 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Compensated Absences* – The Synod allows full-time employees to receive compensation for vacation and sick leave. Employees are allowed to carry forward five days of vacation into the following calendar year. Upon termination, earned but unpaid vacation time shall be paid as of the last full pay period before the termination. The accrued vacation liability at January 31, 2022 is \$23,068 and is included in accrued expenses.

*Donated Services* – No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Synod with specific programs, fund solicitations, and various committee assignments.

*Income Tax Status* – The Synod is an exempt religious organization under the Internal Revenue Code Section 501(c)(3) and is covered by a group exemption letter issued to the Evangelical Lutheran Church in America and, accordingly, there is no provision for income taxes included in the financial statements.

*Cash and Cash Equivalents* – For purposes of the statement of cash flows, the Synod considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

*Investments* – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

*Estimates* – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Functional Allocation of Expenses* – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Synod's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Synod.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**Notes to Financial Statements  
January 31, 2022**

**NOTE B – FAIR VALUE ESTIMATES**

The Synod's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of future fair values. Furthermore, although the Synod believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under GAAP are described as follows:

*Level 1 Fair Value Measurements*

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Synod has the ability to access.

*Level 2 Fair Value Measurements*

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3 Fair Value Measurements*

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at January 31, 2022.

*Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Synod are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value (NAV) and to transact at that price. The mutual funds held by the Synod are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Synod's assets at fair value as of January 31, 2022.

	<b>Assets at Fair Value</b>	
	<b>Total</b>	<b>Level 1</b>
Mutual funds	\$ 2,270,540	\$ 2,270,540
Total assets at fair value	\$ 2,270,540	\$ 2,270,540

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
*(a non-profit religious corporation)*

**Notes to Financial Statements  
January 31, 2022**

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of January 31, 2022:

		<u>Estimated Useful Lives</u>
Automobiles	\$ 25,178	5 years
Furniture	<u>1,745</u>	10 years
	26,923	
Accumulated depreciation	<u>(18,950)</u>	
Property and Equipment, net	<u>\$ 7,973</u>	

Depreciation expense for the year ended January 31, 2022 was \$5,036.

**NOTE D – FUNDS HELD FOR OTHERS**

Funds held for others consist of the following at January 31, 2022:

Fund for Leaders Golf	\$	34,599
Native American urban ministry		69,827
Retired pastors' retreat		13,358
Others		<u>9,183</u>
	\$	<u>126,967</u>

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at January 31, 2022 represent amounts restricted for various purposes as listed below:

Latino mission support	\$	6,844
Scholarships for potential and current seminarians		319,388
Faith formation		188,853
Outreach for new and redeveloping congregations		89,427
Haiti educational programs		56,128
New congregations-Southern Arizona		10,207
West Valley churches and programs		11,393
Advocacy ministry		19,415
Generosity project		307,122
Endowment		<u>628,357</u>
	\$	<u>1,637,134</u>

The endowment funds were established to support congregational assistance. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Synod indefinitely. Income from the fund is to be expended for congregational assistance program services. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**Notes to Financial Statements  
January 31, 2022**

**NOTE F – INVESTMENT INCOME AND EXPENSES**

Investment income and expenses were as follows for the year ended January 31, 2022:

Change in fair market value of investment	\$	104,077
Dividends and interest		<u>82,323</u>
	\$	<u><u>186,400</u></u>

**NOTE G – RETIREMENT PLAN**

The Synod contributes to a pension plan, which is maintained by the Board of Pensions of the Evangelical Lutheran Church in America, for the benefit of all Synod employees. All employees are eligible to participate immediately upon employment. The pension cost is 10% to 12% of each employee's defined compensation. The pension plan expense that was included in personnel expenses was \$32,026 for the year ended January 31, 2022.

**NOTE H – OPERATING LEASE**

The Synod entered into an office lease, categorized as an operating lease for accounting purposes, on September 1, 2013. The lease has minimum monthly payments ranging from \$2,786 to \$2,861 and the rent is adjusted annually. The operating lease agreement expires September 30, 2025. Future minimum payments under the amended lease agreement are as follows:

Year ending January 31,		
2023	\$	33,731
2024		58,125
2025		<u>36,140</u>
	\$	<u><u>127,996</u></u>

Occupancy expense under the lease for the year ended January 31, 2022 was \$31,625.

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**Notes to Financial Statements  
January 31, 2022**

**NOTE I – LIQUIDITY AND AVAILABILITY**

The following reflects the Synod's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$	4,694,561
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions		(1,637,134)
Funds held for others		<u>(126,967)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>2,930,460</u>
Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:		
Cash and cash equivalents	\$	3,041,810
Investments		1,642,183
Accounts receivable		<u>10,568</u>
	\$	<u>4,694,561</u>

**NOTE J – SUBSEQUENT EVENTS**

The Synod evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 6, 2022, which is the date the financial statements were available to be issued.

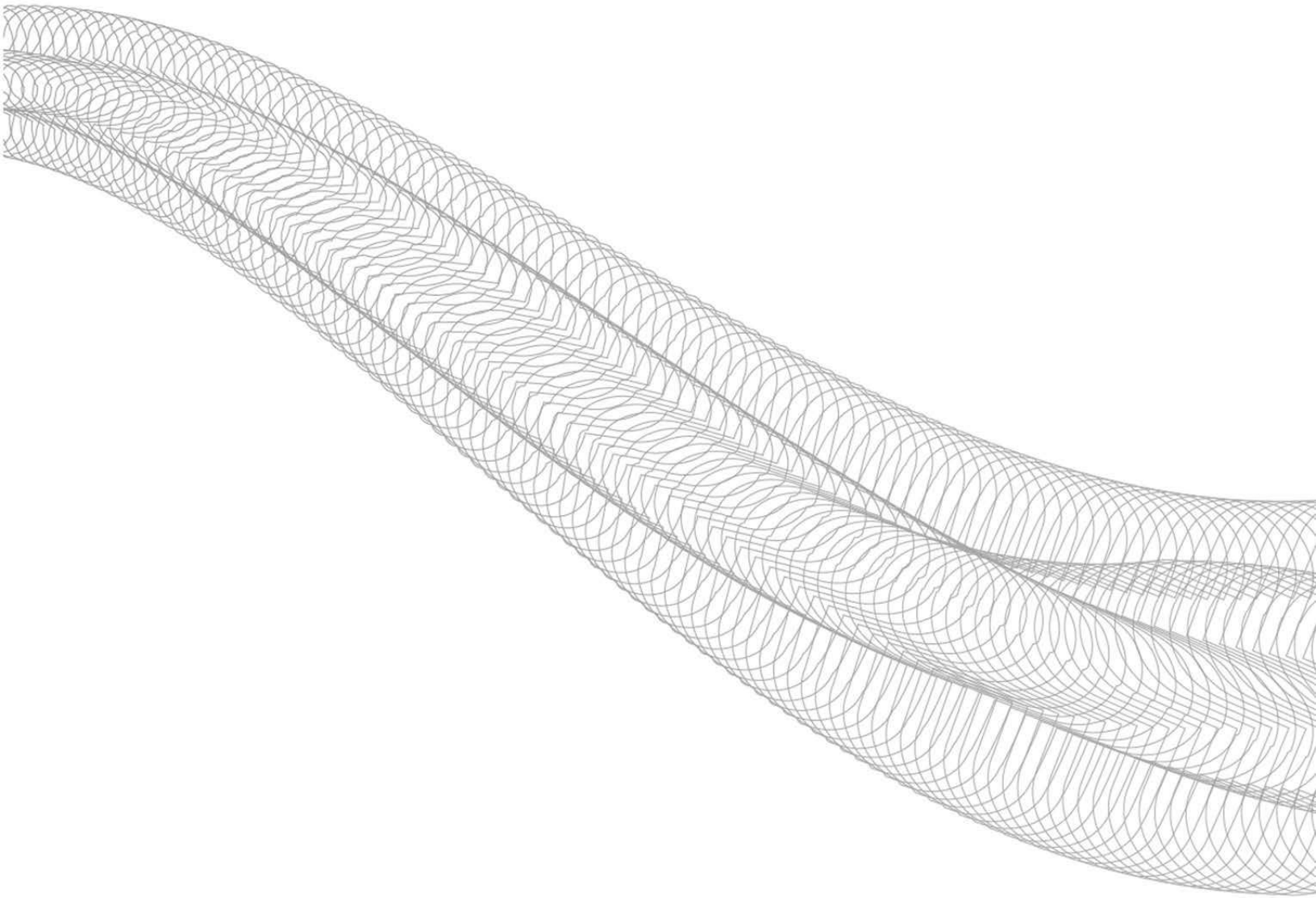
**SUPPLEMENTAL INFORMATION**

**GRAND CANYON SYNOD OF  
THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
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**Schedule of Financial Support  
For the Year Ended January 31, 2022**

Lutheran Social Services of the Southwest	\$ 50,000
Campus Ministry, Arizona State University	37,000
Campus Ministry, Northern Arizona University	37,000
Campus Ministry, University of Arizona	37,000
Pacific Lutheran Theological Seminary	35,000
Lutheran Social Services of Nevada	15,000
California Lutheran University	12,000
Cruzando Fronteras	10,000
Spirit in the Desert	10,000
Navajo Evangelical Lutheran Mission	5,000
Region 2	4,000
Lutheran Advocacy Ministry in Nevada	2,500
Lutheran Engagement Advocacy in Nevada	2,500
Texas-Louisiana Gulf Coast Synod Disaster Relief	2,000
North-Texas/North-Louisiana Synod Disaster Relief	2,000
SWT Synod Disaster Relief	2,000
Arizona Faith Network	1,000
ELCA Gifts Processing Center	1,000
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	\$ <u>265,000</u>





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