



TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JANUARY 31, 2019 AND 2018



**TEXAS-LOUISIANA GULF COAST SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
JANUARY 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Synod Council
Texas-Louisiana Gulf Coast Synod
of the Evangelical Lutheran Church in America
Houston, Texas

We have audited the accompanying financial statements of Texas-Louisiana Gulf Coast Synod of the Evangelical Lutheran Church in America (a nonprofit organization), which comprise the statements of financial position as of January 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas-Louisiana Gulf Coast Synod of the Evangelical Lutheran Church in America as of January 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note B to the financial statements, during the 2019 year-end, the Synod adopted new accounting guidance, FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Franklin, Pennsylvania

May 14, 2019

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash	\$ 276,931	\$ 310,179
Receivables	16,751	46,732
Loan receivable	32,010	35,666
Prepaid expenses	18,645	15,965
Assets held in trust	3,572,374	3,934,149
Successor in interest properties	1,142,780	-
TOTAL ASSETS	\$ 5,059,491	\$ 4,342,691
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 17,193	\$ 438
Funds held as fiduciary	13,836	38,439
Long-term debt	31,671	35,666
Deferred revenue	64,061	50,255
TOTAL LIABILITIES	126,761	124,798
NET ASSETS		
Without Donor Restriction		
Investment in successor in interest properties	1,142,780	-
Undesignated	64,566	60,072
Designated	527,877	550,496
With Donor Restriction	3,197,507	3,607,325
TOTAL NET ASSETS	4,932,730	4,217,893
TOTAL LIABILITIES AND NET ASSETS	\$ 5,059,491	\$ 4,342,691

See accompanying notes to financial statements.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2018**

	Without Donor Restriction	With Donor Restriction	Totals
REVENUES AND OTHER SUPPORT			
Contributions from congregations	\$ 1,309,736	\$ -	\$ 1,309,736
Contributions from individuals	2,123	-	2,123
Interest and dividend income	28,992	-	28,992
Other income	154,405	-	154,405
TOTAL REVENUES AND OTHER SUPPORT	1,495,256	-	1,495,256
EXPENSES			
Program expenses			
Benevolence	797,393	-	797,393
Bishop and Assistant Bishops for Leadership and Mission	443,488	-	443,488
	1,240,881	-	1,240,881
Supporting services			
Administration and general	231,813	-	231,813
TOTAL EXPENSES	1,472,694	-	1,472,694
Change in net assets prior to other revenues and expenses	22,562	-	22,562
Other revenues and expenses			
Total LEAD program and management revenues	399,258	-	399,258
Total LEAD program and management expenses	(399,258)	-	(399,258)
Total designated support income	691,162	514,819	1,205,981
Assets released from restrictions	409,729	(409,729)	-
Total designated expenditures	(986,718)	-	(986,718)
Other increase (decrease) in assets held in trust	(872)	(154,148)	(155,020)
Unrealized gains (losses) on investments	101,166	364,503	465,669
CHANGES IN NET ASSETS	237,029	315,445	552,474
NET ASSETS, BEGINNING OF YEAR	373,539	3,291,880	3,665,419
NET ASSETS, END OF YEAR	\$ 610,568	\$ 3,607,325	\$ 4,217,893

See accompanying notes to financial statements.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018

EXPENSES	2019	2018
PROGRAM EXPENSES		
Benevolence		
Mission support to ELCA and Pilot	\$ 631,901	\$ 654,868
Mission support to others	100,045	100,025
Campus ministries	42,500	42,500
	<u>774,446</u>	<u>797,393</u>
Bishop and Assistant Bishops for Leadership and Mission		
Salaries, payroll taxes and allowances	277,480	280,039
Benefits	97,434	93,166
Meeting expense	18,431	12,569
Continuing education	3,900	3,900
Travel and entertainment	19,939	20,515
Candidacy expense	6,412	7,715
Vehicle expenses	15,351	15,614
Other costs and expenses	6,024	9,970
	<u>444,971</u>	<u>443,488</u>
TOTAL PROGRAM EXPENSES	<u>1,219,417</u>	<u>1,240,881</u>
SUPPORTING SERVICES		
Administration and general		
Salaries and payroll taxes	116,806	112,671
Benefits	17,800	21,533
Continuing education	8,069	7,125
Travel and entertainment	628	306
Rent expense	24,429	31,363
Insurance	7,907	8,065
Repairs and maintenance	450	741
Equipment leasing fees	9,350	8,925
Legal and professional services	13,626	13,529
Telecommunication	3,515	3,062
Office supplies and expenses	11,567	12,967
Interest expense	2,154	2,074
Other administrative expenses	10,154	9,452
	<u>226,455</u>	<u>231,813</u>
TOTAL SUPPORTING SERVICES	<u>226,455</u>	<u>231,813</u>
TOTAL EXPENSES BEFORE SUPPORT OFFSETS	<u>1,445,872</u>	<u>1,472,694</u>
Less Pilot support offsets		
DEM/ Mission Catalyst Pilot support	(113,742)	(117,876)
TOTAL EXPENSES NET OF SUPPORT OFFSETS	<u>\$ 1,332,130</u>	<u>\$ 1,354,818</u>

See accompanying notes to financial statements.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 714,837	\$ 552,474
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Value of successor in interest properties	(1,142,780)	-
Unrealized (gains) losses on investments	347,637	(465,669)
(Increase) decrease in receivables	29,981	(9,553)
(Increase) decrease in prepaid expenses	(2,680)	26
Increase (decrease) in accounts payable	16,755	(5,483)
Increase (decrease) in funds held as fiduciary	(24,603)	38,439
Increase (decrease) in deferred revenue	13,806	12,463
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(47,047)</u>	<u>122,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption (purchase) of assets held in trust, net	<u>14,138</u>	<u>(51,508)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>14,138</u>	<u>(51,508)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(3,995)	(3,782)
Receipt of payments on loan receivable	<u>3,656</u>	<u>3,782</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(339)</u>	<u>-</u>
Net increase (decrease) in cash	(33,248)	71,189
CASH, BEGINNING OF YEAR	<u>310,179</u>	<u>238,990</u>
CASH, END OF YEAR	<u>\$ 276,931</u>	<u>\$ 310,179</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years ended for		
Interest expense	<u>\$ 2,004</u>	<u>\$ 2,074</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

NOTE A – ENTITY

The Texas-Louisiana Gulf Coast Synod of the Evangelical Lutheran Church in America (the Synod) was formed on April 8, 1986 by the merger between the three national Lutheran Churches in America. The Synod is organized and operated exclusively for religious purposes, and specifically, to promote the Christian religion according to the tenets of faith set forth in the Constitution of the Evangelical Lutheran Church in America (ELCA).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Synod has adopted significant accounting policies as follows:

Basis of Accounting

The financial statements for the Synod have been prepared on the accrual basis of accounting. Consequently, revenues are recognized when they are earned and expenses when they are incurred.

Financial Statement Presentation

The Synod is required to report information regarding its financial position and activities according to net assets. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restriction. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Cash

The Synod maintains cash deposits in two financial institutions. The deposits exceeded the Federal Deposit Insurance Corporation (FDIC) limit by \$142,576 and \$45,014 at January 31, 2019 and 2018, respectively. However, no losses occurred due to this situation.

Receivables

Receivables are considered to be fully collectible based on the Synod's history of collections; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. This policy should not result in a significant difference with a write-off policy in accordance with accounting principles generally accepted in the United States of America.

Investments

The Synod records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Net investment return from investments restricted by donors is reported as an increase in net assets without donor restriction if the restrictions are fulfilled in the same time period the net investment return is recognized.

Fixed Assets

The Synod records fixed asset additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. There were no fixed asset additions or disposals during the years ended January 31, 2019 or 2018.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Income Tax Status

The Synod qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Synod qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Donated Services

A substantial number of volunteers have donated significant amounts of their time in the Synod's program services. However, since no objective basis exists for recording and assigning values to these services, they are not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Statements of Cash Flows

For purposes of the statements of cash flows, cash includes time deposits and all highly liquid debt instruments with original maturities of three months or less.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, receivables, accounts payable, and debt approximate their fair market value due to the short-term maturities of those instruments.

Leases-FASB Accounting Standards Codification – consensus of the FASB Emerging Issues Task Force (Topic 842) (ASU 2016-02)

Effective for fiscal years beginning after December 15, 2019, this update requires that assets and liabilities arising under leases are recognized in the statement of position. A lessee will be required to recognize in the statement of position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous generally accepted accounting principles. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. This ASU basically requires that all leases with a term of greater than 12 months be capitalized, meaning that the entity records an asset and a corresponding liability for the future lease payments. Under the current rules, leases have to be analyzed to determine whether they are "capital" (and treated as just described)

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

or "operating" (nothing gets recorded on the statement of position and payments are treated as rent expense). Leases existing as of the effective date of this ASU will not be grandfathered out of its provisions. Therefore, those leases will require careful analysis to determine capitalizable amounts.

Reclassification

Certain items in the financial statements for 2018 have been reclassified to conform with the current year presentation. Such reclassification had no effect on total net assets.

Review of Subsequent Events

The Synod has evaluated subsequent events for potential recognition and/or disclosure through the date the financial statements were available for issuance which was May 14, 2019.

NOTE C – INFORMATION ABOUT LIQUIDITY

The Synod has \$1,056,536 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$276,931 and quasi-endowments of \$779,605. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position dates.

NOTE D – ASSETS HELD IN TRUST

The Synod's assets held in trust are administered by the Evangelical Lutheran Church in America (ELCA). The three ELCA Endowment Fund Pooled Trusts are each a collective long-term investment stated at fair market value with the activity included in the statements of activities and changes in net assets. Distributions support the mission of the Synod.

Assets held in trust are stated a fair value and consist of the following at January 31, 2019 and 2018:

	<u>Total</u>
Balance – January 31, 2017	\$3,416,972
Increases	517,177
Decreases	<u>-</u>
Balance – January 31, 2018	3,934,149
Increases	48,302
Decreases	<u>410,077</u>
Balance – January 31, 2019	<u>\$3,572,374</u>

TEXAS-LOUISIANA GULF COAST SYNOD
 OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE E – FAIR VALUE MEASUREMENTS

The Synod measures fair value in accordance with Financial Accounting Standards Board (FASB), *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*. The codification provides a three-level hierarchy that prioritizes the inputs of the valuation techniques used to measure fair value. Inputs are defined as assumptions used by market participants while pricing the asset or liability, including assumptions about risks. The following is a summary of the three levels, with level one having the highest priority and level three having the lowest priority:

Level 1

Inputs to the valuation technique generally are quoted prices in active markets for identical assets or liabilities. The Synod has the ability to access these assets or liabilities at the measurement date.

Level 2

Inputs to the valuation technique generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3

Inputs are unobservable and generally allow for situations in which there is little, if any, market activity. The inputs are based on the Synod’s own assumptions about the factors that market participants would use in pricing the asset or liability.

The following tables set forth by level, within the fair value hierarchy, the Synod’s assets at fair value as of January 31, 2019 and 2018 :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
January 31, 2019			
Assets held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,572,374</u>
January 31, 2018			
Assets held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,934,149</u>

TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED

The valuation techniques used for the assets measured at fair value are as follows:

Assets Held in Trust by Others

The assets are neither in the possession of, nor under the control of the Synod. The assets are valued at the estimated fair market value and are reported to the Synod by the Trustees that hold the assets.

The Synod has made no changes in the methodology of the valuation techniques.

NOTE F – ENDOWMENT FUND

The Synod endowments consist of funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Synod to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on existent or absence of donor-imposed restrictions.

The Synod has interpreted the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Synod classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund is classified as restricted net assets until those amounts are appropriated for expenditure by the Synod consistent with the standard of prudence prescribed by UPMIFA.

Investment Return Objectives, Risk Parameters and Strategies

The Synod adheres to investment spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets over the long-term and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing operations. The Synod relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

At January 31, 2019, the composition of the endowment fund was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-restricted endowment	\$ -	\$2,792,769
Quasi-endowment	<u>779,605</u>	<u>-</u>
Total endowment	<u>\$779,605</u>	<u>\$2,792,769</u>

At January 31, 2018, the composition of the endowment fund was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-restricted endowment	\$ -	\$3,065,811
Quasi-endowment	<u>868,338</u>	<u>-</u>
Total endowment	<u>\$868,338</u>	<u>\$3,065,811</u>

Changes in endowment net assets for the year ended January 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, January 31, 2018	<u>\$868,338</u>	<u>\$3,065,811</u>
Investment return:		
Investment income	139,058	-
Net appreciation (realized and unrealized)	<u>(74,595)</u>	<u>(273,042)</u>
	<u>64,463</u>	<u>(273,042)</u>
Appropriation of endowment assets for expenditure	<u>(153,196)</u>	<u>-</u>
Endowment net assets, January 31, 2019	<u>\$779,605</u>	<u>\$2,792,769</u>

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Changes in endowment net assets for the year ended January 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, January 31, 2017	<u>\$631,897</u>	<u>\$2,785,075</u>
Investment return:		
Investment income	132,424	-
Net appreciation (realized and unrealized)	<u>101,166</u>	<u>364,503</u>
	<u>233,590</u>	<u>364,503</u>
Contributions	2,851	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(83,767)</u>
Endowment net assets, January 31, 2018	<u>\$868,338</u>	<u>\$3,065,811</u>

NOTE G – LOAN RECEIVABLE

In December 2015, the Synod borrowed via a long-term installment note \$43,319 which was in turn loaned to Grace Houston to pay off an existing note (Note J). The loan receivable to the Synod bears interest at 5.50% and is payable over a 10-year period. The balance outstanding was \$32,010 and \$35,666 at January 31, 2019 and 2018, respectively.

Interest income of \$2,004 and \$2,074 is included in other income on the statements of activities and changes in net assets for the years ended January 31, 2019 and 2018, respectively.

NOTE H – SUCCESSOR IN INTEREST PROPERTY

In May 2018, the Synod took ownership of property that belonged to one of its congregations that voted to close. The property was valued at the fair market value as of the date the Synod became the successor in interest of the property. The fair market value as of this date was \$900,000. In March 2019, the Synod has sold this property (Note P).

In August 2018, the Synod took ownership of property that belonged to one of its congregations that voted to close. The property was valued at the fair market value as of the date the Synod became the successor in interest of the property. The fair market value as of this date was \$242,780.

NOTE I – FUNDS HELD AS FIDUCIARY

The Synod holds a fiduciary duty over funds for Region IV which are shown as a liability on the statement of net position for the years ended January 31, 2019 and 2018 in the amount of \$13,836 and \$38,439, respectively.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

NOTE J – LONG-TERM DEBT

Long-term debt consists of the following at January 31, 2019 and 2018:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>2019 Total</u>	<u>2018 Total</u>
5.50% Installment loan, secured by Deed of Trust on property owned by Grace Houston, repayable in monthly installments of \$488, including interest through December 2025 (Note G)	<u>\$4,219</u>	<u>\$27,452</u>	<u>\$31,671</u>	<u>\$35,666</u>

The approximate annual maturity of long-term debt for the years following January 31, 2019 is as follows:

2020	\$ 4,219
2021	4,457
2022	4,709
2023	4,974
2024	5,551
2025-2026	<u>7,761</u>
	<u>\$31,671</u>

Interest expense was \$2,004 and \$2,074 for the years ended January 31, 2019 and 2018, respectively.

NOTE K -- NET ASSETS

Net assets with donor restrictions were as follows for the years ended January 31, 2019 and 2018:

	<u>2019 Total</u>	<u>2018 Total</u>
Subject to expenditure for specified purpose:		
Word and Sacrament	\$ 11,458	\$ 10,447
Leadership	66,116	61,618
Youth and Family Ministries	9,261	10,169
Justice	69,607	206,411
Partnership and Missions	242,426	246,999
Theological Conference	<u>5,870</u>	<u>5,870</u>
	404,738	541,514
Subject to the Synod's spending policy and appropriation:		
Endowment funds restricted in perpetuity	<u>2,792,769</u>	<u>3,065,811</u>
Total net assets with donor restrictions	<u>\$3,197,507</u>	<u>\$3,607,325</u>

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Net assets without donor restrictions for the years ended January 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Investment in successor in interest properties	\$1,142,780	\$ -
Undesignated	64,566	60,072
Board designated	<u>527,877</u>	<u>550,496</u>
 Total net assets without donor restrictions	 <u>\$1,735,223</u>	 <u>\$610,568</u>

NOTE L – PENSION AND MAJOR MEDICAL PLAN

The Synod contributes to a plan sponsored by the Evangelical Lutheran Church in America (ELCA) which is a combined pension and major medical plan for eligible employees. Eligible employees are those scheduled to work a minimum of twenty (20) hours per week for six months or more a year. Contributions are based on a percentage of the employee's compensation including housing. The contributions of the Synod for the years ended January 31, 2019 and 2018 were \$115,234 and \$114,699, respectively.

NOTE M – OPERATING LEASES

The Synod enters into operating lease agreements for the rental of copiers. Total copier rental expense was \$9,350 and \$8,925 for the years ended January 31, 2019 and 2018, respectively.

During the year ended January 31, 2013, the Synod entered into a new non-cancelable operating lease agreement. Total facility rental expense was \$24,429 and \$31,363 for the years ended January 31, 2019 and 2018, respectively.

Minimum future rental payments under the leases are as follows:	<u>Copier</u>	<u>Facility</u>
Year ending January 31, 2020	\$7,876	\$33,090
Year ending January 31, 2021	\$7,876	34,401
Year ending January 31, 2022	\$ 656	36,366
Year ending January 31, 2023	\$ -	37,377

NOTE N – REVENUE CONCENTRATION

The Synod received approximately 88% and 88% of its revenue, excluding non-designated support income, from contributions from congregations for the years ended January 31, 2019 and 2018, respectively.

**TEXAS-LOUISIANA GULF COAST SYNOD
OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

NOTE O – RISKS AND UNCERTAINTIES

The Synod invests in various investment securities including bond funds, equity holdings in individual companies and U.S. Government obligations. Investment securities 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 at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the value of investments reported in the statements of financial position.

The Synod is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Synod carries commercial insurance for all types of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE P – SUBSEQUENT EVENT

In March 2019, the Synod sold one of the properties that it is the successor in interest of for \$920,000. The sale will be reflected in the statement of activities for the year ending January 31, 2020 (Note H).