

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

***FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2017***

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INDEPENDENT AUDITOR'S REPORT

Executive Council
North American Lutheran Church
New Brighton, Minnesota

We have audited the accompanying financial statements of the North American Lutheran Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Lutheran Church as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited North American Lutheran Church's 2016 financial statements, and our report dated May 4, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Shidell Mair & Richardson PLLP

August 2, 2018
St. Paul, Minnesota

NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

(With summarized information for the year ended December 31, 2016)

ASSETS	2017	2016
Cash and cash equivalents	\$ 2,523,447	\$ 2,023,522
Certificates of deposits	407,225	405,260
Accounts receivable	14,641	12,166
Prepaid expenses	45,200	48,868
Furniture, equipment and computers, net	1,062	9,667
Total assets	<u>\$ 2,991,575</u>	<u>\$ 2,499,483</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 100,233	\$ 18,698
Accrued compensation	60,518	58,210
Grants payable	10,000	12,000
Registration deposits	7,155	12,783
Due to others	4,296	8,651
Total liabilities	<u>182,202</u>	<u>110,342</u>

Net Assets

Unrestricted		
Designated	990,800	990,800
Undesignated	371,407	468,563
Total unrestricted net assets	<u>1,362,207</u>	<u>1,459,363</u>
Temporarily restricted	1,447,166	929,778
Total net assets	<u>2,809,373</u>	<u>2,389,141</u>
Total liabilities and net assets	<u>\$ 2,991,575</u>	<u>\$ 2,499,483</u>

NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With summarized information of the year ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, gains and other support:				
Contributions:				
Individuals	\$ 133,603	\$ 314,379	\$ 447,982	\$ 412,272
Congregations	1,618,426	1,074,385	2,692,811	2,205,968
Other	11,697		11,697	16,957
Total public support and revenue	1,763,726	1,388,764	3,152,490	2,635,197
Other Revenue:				
Service fees	11,440		11,440	12,920
Investment revenue	3,757		3,757	3,844
Other	6,938		6,938	7,155
Registrations	172,274		172,274	101,715
Total other revenue	194,409		194,409	125,634
Total revenue, gains and other support	1,958,135	1,388,764	3,346,899	2,760,831
Net assets released from restrictions	871,376	(871,376)		
Total revenue and reclassifications	2,829,511	517,388	3,346,899	2,760,831
Expenses:				
Program Activities:				
Missions and Evangelism	312,947		312,947	221,056
Theological Education and Clergy	730,583		730,583	743,475
Congregational Services	641,142		641,142	388,927
Ecumenical and Inter-Lutheran	115,436		115,436	206,225
Convocation/Conferences	456,394		456,394	348,694
Communications	225,897		225,897	256,306
Mission Districts	150,778		150,778	201,188
Total program activities	2,633,177		2,633,177	2,365,871
Support Activities:				
Fund raising	9,482		9,482	11,539
Management and general	284,008		284,008	243,982
Total support activities	293,490		293,490	255,521
Total program and support activities	2,926,667		2,926,667	2,621,392
Change in net assets	(97,156)	517,388	420,232	139,439
Net Assets, beginning of year	1,459,363	929,778	2,389,141	2,249,702
Net Assets, end of year	\$ 1,362,207	\$ 1,447,166	\$ 2,809,373	\$ 2,389,141

**NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**
(With summarized information for the year ended December 31, 2016)

	2017										2016	
	Program Activities					Support Activities						
	Missions and Evangelism	Theological Education and Clergy	Congregational Services	Ecumenical and Inter-Lutheran	Convocation / Conferences	Communications	Mission Districts	Total Program Expenses	Fund Raising Expense	Management and General	Total Support Expenses	Total Functional Expenses
Functional expenses												
Salaries	\$ 96,877	\$ 83,918	\$ 100,515	\$ 66,567	\$ 109,877	\$ 94,961	\$ 80,887	\$ 633,602	\$ 3,220	\$ 133,719	\$ 136,939	\$ 770,541
Contract salaries		500	48,300			13,545		62,345				62,345
Employee benefits	29,263	22,037	27,941	18,806	30,339	25,929	22,120	176,435	961	34,457	35,418	211,853
Payroll taxes	2,590	1,891	1,272	528	2,795	1,153	866	11,095	204	4,345	4,549	15,644
Total salaries and related expenses	128,730	108,346	178,028	85,901	143,011	135,588	103,873	883,477	4,385	172,521	176,906	1,060,383
Professional services	368	25,629	13,299	245	1,669	387	297	41,894	12	10,853	10,865	52,759
Telephone	2,413	2,031	3,338	1,611	2,681	2,542	1,947	16,563	82	3,235	3,317	19,880
Occupancy	2,249	1,893	3,111	1,501	2,499	2,369	1,815	15,437	77	3,014	3,091	18,528
Computer/website expense	930	1,233	5,386	620	1,484	32,779	751	43,183	4,051	5,220	9,271	52,454
Postage	388	375	589	259	431	408	353	2,803	13	519	532	3,335
Office expenses	11,068	6,348	2,786	376	761	3,638	455	25,432	20	14,960	14,980	40,412
Convocation/Conference expenses	3,420	33,580	-		276,391			313,391				313,391
Executive Council travel										31,269	31,269	20,687
Task Force travel	14,143	100,887	26,849	8,425		963	21,337	172,604		9,283	9,283	181,887
Staff travel	25,259	47,136	34,158	15,819	26,336	24,969	19,128	192,805	807	31,770	32,577	225,382
Insurance	576	485	797	384	640	607	465	3,954	20	772	792	4,746
Seminarian scholarships		106,762						106,762				106,762
Ministry gifts	52,000		33,000					85,000				85,000
Educational expenses		295,506						295,506				295,506
Other grants	70,961		339,190					410,151				410,151
Printing						21,181		21,181				21,181
Total before depreciation	312,505	730,211	640,531	115,141	455,903	225,431	150,421	2,630,143	9,467	283,416	292,883	2,923,026
Depreciation	442	372	611	295	491	466	357	3,034	15	592	607	3,641
Total expenses	\$ 312,947	\$ 730,583	\$ 641,142	\$ 115,436	\$ 456,394	\$ 225,897	\$ 150,778	\$ 2,633,177	\$ 9,482	\$ 284,008	\$ 293,490	\$ 2,926,667
												\$ 2,621,392

See notes to the financial statements

NORTH AMERICAN LUTHERAN CHURCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With summarized information for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 420,232	\$ 139,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,641	10,345
(Gain) loss on disposal of equipment	4,964	(2,120)
(Increase) decrease in operating assets:		
Accounts receivable	(2,475)	(10,455)
Prepaid expenses	3,668	2,061
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	81,535	(65,198)
Grants payable	(2,000)	12,000
Registration deposits	(5,628)	9,883
Due to others	(4,355)	(5,574)
Accrued compensation	2,308	3,772
Net cash provided by operating activities	<u>501,890</u>	<u>94,153</u>
Cash flows from investing activities:		
Purchase of certificates of deposits	(1,965)	(2,102)
Proceeds from sale of equipment	<u>-</u>	<u>5,000</u>
Net cash provided (used) by investing activities	<u>(1,965)</u>	<u>2,898</u>
Net increase in cash and cash equivalents	499,925	97,051
Cash and cash equivalents - beginning of period	<u>2,023,522</u>	<u>1,926,471</u>
Cash and cash equivalents - end of period	<u><u>\$ 2,523,447</u></u>	<u><u>\$ 2,023,522</u></u>

NORTH AMERICAN LUTHERAN CHURCH NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

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

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

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

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

NOTE 1. NATURE OF THE ORGANIZATION - (Continued)

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

Missions and Evangelism

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

Theological Education, Ordination and Clergy Roster

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

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

Congregational Services

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

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

Ecumenical and Inter-Lutheran Relations

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

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

NOTE 1. NATURE OF THE ORGANIZATION - (Continued)

Convocation/Conferences

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

Communications

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

Mission Districts

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

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:

The NALC 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. These classes of net assets are summarized as follows:

- a) Unrestricted amounts are those currently available at the discretion of the Executive Council for use in the NALC'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 NALC has no permanently restricted net assets.

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

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

Cash and Cash Equivalents

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

Financial Statement Presentation

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

Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the NALC's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Equipment and Leasehold Improvements

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

Functional Allocation of Expenses

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

Reclassification

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

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

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

Public Support, Revenue, and Expenses

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

Income Tax

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

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

Donated Services

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

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

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

Subsequent Events

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

The management of the NALC evaluated subsequent events for financial reporting through August 2, 2018, the date the financial statements were available to be issued.

NOTE 3. CERTIFICATES OF DEPOSITS

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

NOTE 4. LEASING ACTIVITIES

The NALC leases office space in Minnesota under a lease agreement which terminated October 31, 2017. The expired lease called for minimum monthly payments of \$1,605 in 2017. A new lease was entered into on September 29, 2017. This lease expires October 31, 2022 and calls for minimum monthly payments of \$1,240 increasing to \$1,395 in 2022. The lease maybe terminated by either party on each anniversary of the commencement date with a 120-day written notice.

Total rent expense for the year ended December 31, 2017 was \$18,528.

NOTE 5. PENSION PLAN

The NALC has a 403(b) pension plan. The plan is a voluntary retirement plan that is offered to all eligible employees. The plan is an employer funded tax deferred annuity plan. Employees are fully vested in their contributions. Total pension expense for the year ended December 31, 2017 was \$80,702.

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

NOTE 6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The NALC owns the following as of December 31, 2017:

Equipment	\$ 24,752
Leasehold Improvements	3,888
Website	15,000
	<u>43,640</u>
Less accumulated depreciation	(42,578)
	<u>\$ 1,062</u>

NOTE 7. NET ASSETS

Temporarily Restricted Net Assets

The temporarily restricted net assets as of December 31, 2017 were restricted for use in the NALC's programs as follows:

Theological Education Fund	\$ 932,748
Great Commission Fund	13,294
Disaster Response Fund	436,856
Ethiopian Church Relief Fund	14,839
Other	49,429
	<u>\$ 1,447,166</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of other events specified by the donors, or by the passage of time. Net assets released from restrictions for the year ended December 31, 2017 are as follows:

Theological Education Fund	\$ 449,700
Great Commission Fund	123,110
Disaster Response Fund	204,055
Ethiopian Church Relief Fund	65,987
Other	28,524
	<u>\$ 871,376</u>

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

NOTE 7. NET ASSETS - (Continued)

Designated Net Assets

The Executive Council of the North American Lutheran Church has established three designated funds as follows:

Great Commission Fund

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

Theological Education Fund

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

Strategic Development Fund

The Strategic Development fund is a dedicated fund that can be used for strategic planning and development for the organization.

Activity in the designated net assets for the year ended December 31, 2017, is as follows:

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

Designated net assets as of December 31, 2017, consists of:

Great Commission Fund	\$ 215,800
Theological Education Fund	375,000
Strategic Development Fund	<u>400,000</u>
	<u><u>\$ 990,800</u></u>

SUPPLEMENTARY INFORMATION

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

Executive Council
North American Lutheran Church
New Brighton, Minnesota

We have audited the financial statements of the North American Lutheran Church, as of and for the year ended December 31, 2017, and have issued our report thereon dated August 2, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating income (loss) is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Shidell Mair & Richardson PLLP

August 2, 2018
St. Paul, Minnesota

**NORTH AMERICAN LUTHERAN CHURCH
SCHEDULE OF OPERATING INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Donations:		
Individual	\$ 133,603	\$ 202,464
Congregation	1,618,426	1,501,690
Mission District	11,000	16,070
Other	697	887
Total Donations	<u>1,763,726</u>	<u>1,721,111</u>
Other Income:		
Registrations	172,275	101,290
DVD/Media sales	2,580	2,805
Promotional items	4,150	-
Candidacy fees	11,440	12,920
Interest income	3,757	3,844
Other income	5,171	2,229
Gain (loss) on sale of equipment	(4,964)	2,121
Total other income	<u>194,409</u>	<u>125,209</u>
Total operating revenue	<u>1,958,135</u>	<u>1,846,320</u>
Operating Expenses:		
Organizations and Meetings:		
Convocations and conferences	292,841	205,313
Staff travel	198,299	202,352
Executive Council	31,269	20,687
Committees and Task Force	141,763	120,803
Mission Team and Discipleship	14,143	7,117
Disaster Response Teams	26,849	19,844
Total organizations and meetings	<u>705,164</u>	<u>576,116</u>
Communications:		
Website/DVD	35,530	55,876
Newsletter and postage	21,010	20,609
Printing-brochures/stationary	6,290	3,112
Total communications	<u>62,830</u>	<u>79,597</u>

**NORTH AMERICAN LUTHERAN CHURCH
SCHEDULE OF OPERATING INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Operating Expenses:		
Administrative expenses:		
Rent	18,528	24,791
Professional fees	39,100	36,402
Telephone	17,429	18,369
Insurance	6,573	6,849
Software and IT support	14,974	12,958
Office supplies, equipment and expense	10,407	13,683
Depreciation	3,641	10,345
Total administrative expenses	<u>110,652</u>	<u>123,397</u>
Staff salaries, taxes and benefits:		
Staff salary and wages	839,530	806,939
Staff taxes and benefits	214,445	212,731
Total staff salaries, taxes and benefits	<u>1,053,975</u>	<u>1,019,670</u>
Other:		
Bishop's discretionary fund	10,107	7,575
Support for ministry partners	85,000	80,000
Miscellaneous	27,563	24,079
Total other	<u>122,670</u>	<u>111,654</u>
Total operating expenses	<u>2,055,291</u>	<u>1,910,434</u>
Net operating income (loss)	<u>(97,156)</u>	<u>(64,114)</u>
Restricted/Designated Funds:		
Donations	1,388,764	914,086
Distributions	871,376	710,533
Net restricted operations	<u>517,388</u>	<u>203,553</u>
Net change in net assets	<u>\$ 420,232</u>	<u>\$ 139,439</u>