

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

Financial Statements

December 31, 2010

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

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INDEPENDENT AUDITORS' REPORT

To the Synod Council of the
New Jersey Synod of the Evangelical Lutheran Church in America

We have audited the accompanying statement of financial position of New Jersey Synod of the Evangelical Lutheran Church in America (the "Synod") as of December 31, 2010, 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. The prior year summarized comparative information has been derived from the Synod's 2009 financial statements, and in our report dated April 27, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mercadien, P.C.
Certified Public Accountants

April 5, 2011

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NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With Comparative Totals for December 31, 2009)

	December 31,				2009
	2010			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
					Totals
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 249,433	\$ 557,092	\$ -	\$ 806,525	\$ 814,243
Investments	1,417,239	-	-	1,417,239	1,948,498
Other receivable	7,700	-	-	7,700	7,700
Staff advances	1,250	-	-	1,250	2,250
Accounts receivable - congregations	8,080	-	-	8,080	88,286
Mortgage receivable, current	596,213	-	-	596,213	7,368
Prepaid expenses	39,346	-	-	39,346	29,961
Total Current Assets	2,319,261	557,092	-	2,876,353	2,898,306
Other Assets					
Mortgages receivable	108,568	-	-	108,568	592,632
Investments	934,542	965,652	476,566	2,376,760	2,289,260
Synod House property and equipment	603,324	-	-	603,324	625,159
Land and Property held by Synod, at cost	2,086,774	-	-	2,086,774	1,765,427
Equity in Cross Roads Outdoor Ministries	1,666,559	-	-	1,666,559	1,670,690
Other assets	17,776	-	-	17,776	17,776
Total Assets	\$ 7,736,804	\$ 1,522,744	\$ 476,566	\$ 9,736,114	\$ 9,859,250
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accrued expenses and other liabilities	\$ 3,088	\$ -	\$ -	\$ 3,088	\$ 80,580
Grants payable	77,201	-	-	77,201	16,153
Loan payable, current	-	-	-	-	39,117
Total Current Liabilities	80,289	-	-	80,289	135,850
Loan payable, noncurrent	-	-	-	-	128,640
Total Liabilities	80,289	-	-	80,289	264,490
Net Assets					
Unrestricted					
Cross Roads Outdoor Ministries	1,666,559	-	-	1,666,559	1,670,690
Board designated	3,299,858	-	-	3,299,858	3,909,408
Net investment in property, plant and equipment	2,690,098	-	-	2,690,098	2,222,829
Total unrestricted	7,656,515	-	-	7,656,515	7,802,927
Temporarily restricted	-	1,522,744	-	1,522,744	1,315,267
Permanently restricted	-	-	476,566	476,566	476,566
Total Net Assets	7,656,515	1,522,744	476,566	9,655,825	9,594,760
Total Liabilities and Net Assets	\$ 7,736,804	\$ 1,522,744	\$ 476,566	\$ 9,736,114	\$ 9,859,250

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Year Ended December 31,				Totals
	2010			2009*	
	Unrestricted	Temporarily	Permanently	Total	
	Designated	Restricted	Restricted		
	And Other				
	Funds				
Operations	Total	Restricted	Restricted	Total	Totals
Support and revenue					
Support from congregations					
Commitment	\$ 2,176,727	\$ -	\$ -	\$ 2,176,727	\$ 2,389,819
Total support	2,176,727	2,176,727	-	2,176,727	2,389,819
Revenue					
Other contributions and gifts	239,324	1,134,708	1,374,032	482,531	1,856,563
Rental income	-	95,196	95,196	-	95,196
Investment income	-	102,429	102,429	-	102,429
(Loss) gain on sale of property	-	(56,016)	(56,016)	-	(56,016)
Other income	52,330	-	52,330	-	52,330
Total revenue	291,654	1,276,317	1,567,971	482,531	2,050,502
Net assets released from restrictions	-	275,054	(275,054)	(275,054)	-
Total support and revenue	2,468,381	1,551,371	4,019,752	207,477	4,227,229
					4,901,711

*Certain items have been reclassified for comparative purposes.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Year Ended December 31,					Totals
	2010					
	Operations	Unrestricted Designated And Other Funds	Total	Temporarily Restricted	Permanently Restricted	
Expenses						
Synod program services						
Support and development of						
churchwide mission	1,090,223	-	1,090,223	-	-	1,205,448
Ministry partners	271,475	-	271,475	-	-	343,007
Leadership	3,946	-	3,946	-	-	2,646
Candidacy	9,740	-	9,740	-	-	8,845
Discipling	(286)	-	(286)	-	-	237
Outreach	37,647	-	37,647	-	-	57,385
Special causes/justice and peace	2,046	-	2,046	-	-	1,420
Youth ministry	14,884	-	14,884	-	-	17,920
Ecumenical and interfaith	932	-	932	-	-	105
Communications	4,829	-	4,829	-	-	4,509
Synod mission development	180,403	-	180,403	-	-	184,313
Office of the Bishop	419,089	-	419,089	-	-	412,224
Fiscal and property management	142,461	-	142,461	-	-	133,240
Synod office and operations	299,731	-	299,731	-	-	304,494
Assembly	48,490	-	48,490	-	-	55,165
Total Synod program services	2,525,610	-	2,525,610	-	-	2,730,958
Supporting services						
Designated support	-	559,433	559,433	-	-	708,457
Mission ministries	-	1,299,769	1,299,769	-	-	1,176,057
Depreciation	-	57,959	57,959	-	-	66,562
Total supporting services	-	1,917,161	1,917,161	-	-	1,951,076
Total expenses	2,525,610	1,917,161	4,442,771	-	-	4,682,034

*Certain items have been reclassified for comparative purposes.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Year Ended December 31,				2009 *		
	2010						
	Unrestricted						
	Designated						
	And Other	Temporarily	Permanently	Total	Totals		
Operations	Funds	Restricted	Restricted	Total	Totals		
Excess of Support and Revenue over (under) expenses	(57,229)	(365,790)	(423,019)	207,477	-	(215,542)	219,677
Other changes							
Realized and unrealized gain on investments	-	261,703	261,703	-	-	261,703	389,233
Equity in earnings of Cross Roads Outdoor Ministries	-	14,904	14,904	-	-	14,904	35,474
Transfers	57,229	(57,229)	-	-	-	-	-
Change in net assets	-	(146,412)	(146,412)	207,477	-	61,065	644,384
Net assets, beginning of year	-	7,802,927	7,802,927	1,315,267	476,566	9,594,760	8,950,376
Net assets, end of year	\$ -	\$ 7,656,515	\$ 7,656,515	\$ 1,522,744	\$ 476,566	\$ 9,655,825	\$ 9,594,760

*Certain items have been reclassified for comparative purposes.

See notes to financial statements.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	Year Ended December 31,	
	<u>2010</u>	<u>2009*</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 61,065	\$ 644,384
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	57,959	66,562
Loss (gain) on sale of property	56,016	(422,229)
(Gain) loss on sale of investments	(56,249)	186,515
Unrealized gain on investments	(205,454)	(575,748)
Equity in earnings of Cross Roads Outdoor Ministries	(14,904)	(35,474)
Changes in assets and liabilities		
Staff advances	1,000	112
Accounts receivable - congregations	80,206	(4,696)
Other receivable	-	1,971
Prepaid expenses	(9,385)	13,613
Other assets	-	(11,382)
Accrued expenses and other liabilities	(77,492)	72,854
Deferred revenue	-	(32,000)
Grants payable	61,048	(9,207)
Net cash provided by (used in) operating activities	<u>(46,190)</u>	<u>(104,725)</u>
Cash Flows from Investing Activities		
Purchase of equipment and land improvements, net	(514,453)	(407,755)
Sale (purchase) of investments	705,462	(549,100)
Proceeds from sale of property	5,001	369,868
Collections of mortgage receivable	10,219	-
Net cash provided by (used in) investing activities	<u>206,229</u>	<u>(586,987)</u>
Cash Flows used in Financing Activities		
Payments of loans payable	<u>(167,757)</u>	<u>(27,220)</u>
Net decrease in cash	(7,718)	(718,932)
Cash, beginning of year	814,243	1,533,175
Cash, end of year	<u>\$ 806,525</u>	<u>\$ 814,243</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 2,248</u>	<u>\$ 9,545</u>
Supplemental schedule of noncash investing activities		
Issuance of mortgages	<u>\$ (115,000)</u>	<u>\$ (600,000)</u>

*Certain items have been reclassified for comparative purposes.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The New Jersey Synod of the Evangelical Lutheran Church in America, (the "Synod"), is one of sixty-five geographical synodical units of the Evangelical Lutheran Church in America (the "ELCA"). The Synod lies within Region 7 of the ELCA and is comprised of 180 congregations. The Synod relies primarily on annual mission support gifts from these congregations. The Synod Assembly, whose voting members include lay representatives from New Jersey congregations, clergy, associates in ministry, and deaconesses, is the Synod's highest legislative authority. The Synod Assembly elects the Synod Council, Bishop, and other officers, and voting members to the ELCA Churchwide Assembly.

The Synod Council appoints Mission Teams and recommends program goals and budgets, and carries out the resolutions of the Synod Assembly. It issues letters of call to ordained ministers and to associates in ministry, deaconesses, and diaconal ministers. The programs and supporting services of the Synod are included in the statement of activities.

Basis of Accounting

The financial statements of the Synod have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

In accordance with the consistent practice of the Synod, income for the year includes apportionments received from congregations applicable to the current year that are deposited in January of the subsequent year. Similarly, payments for grants and other expenses that are dependent on the availability of income from congregations are disbursed in the succeeding January and recorded as incurred in the current year.

Basis of Presentation

The Synod is required to report 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.

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Synod that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present values of their net realizable values, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The Synod has not received any unconditional promises to give.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue Recognition (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the periods received. Contributions of donated services that create or enhance non-financial 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 are recorded at their fair values in the periods received.

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are reclassified to unrestricted or temporarily restricted net assets and are reported in the statement of activities as net assets released from restrictions.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period during which the income gains are recognized.

Contributions Expense

Contributions are recognized as an expense in the period the contributions are made. Such contributions are recorded at the fair value of assets given.

Use of 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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Investments

The Synod carries investments at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Synod adopted fair value measurements in accordance with GAAP, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the investment in an orderly transaction between market participants on the measurement date. The Synod will value investments using quoted market prices in active markets for identical investments to the extent possible (Level 1). To the extent that such market prices are not available, the Synod will next attempt to value such investments using observable measurement criteria, including quoted market prices of similar investments in active markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Synod will develop measurement criteria based on the best information available (Level 3). An investment categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements.

Investment in Unconsolidated Affiliate

The Synod accounts for its equity investment in Cross Roads Outdoor Ministries under the equity method. Under the equity method, the investment is initially recorded at cost and is subsequently adjusted for the Synod's share of earnings or losses of the affiliate.

Income Taxes

The Synod is a religious organization and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Management has evaluated the Synod's tax positions for uncertainties with respect to the financial statements as of and for the year ended December 31, 2010, and has determined that there is no liability for uncertain tax positions at December 31, 2010.

Property and Equipment

Land, buildings, furniture, equipment and transportation equipment are recorded at cost, except for donated items, which are recorded at their fair market values on the dates of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Furniture and equipment	3 years
Transportation equipment	3 years

Repairs and maintenance, which do not extend the useful lives of the related assets, are expensed as incurred.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The financial statements include certain 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 GAAP. Accordingly, such information should be read in conjunction with the Synod's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

B. LAND AND PROPERTY HELD BY THE SYNOD

Land and Property held by the Synod is property that has been transferred from a congregation generally due to a disbanded congregation or financial difficulties. The Synod capitalizes costs incurred in connection with holding and improving the property and expects reimbursement of such costs when the property is either transferred back to another congregation or is sold.

Property held by the Synod at December 31, 2010 and 2009, respectively, consists of the following:

	<u>2010</u>	<u>2009</u>
<u>Property held by Synod</u>		
Cross of Life Lutheran Church, Plainfield, NJ (1)	\$ 84,823	\$ 100,196
New Life Lutheran Church, Camden, NJ (2)	-	107,950
Storefront Church, Jersey City, NJ (3)	18,708	7,871
St. Johns, Hoboken, NJ (4)	390,038	313,872
Hansen Parsonage, Linden, NJ (5)	297,871	296,491
Elizabeth Lutheran Center, Elizabeth, NJ (6)	471,582	224,849
Elizabeth Parsonage, Elizabeth, NJ (7)	99,585	74,491
Elizabeth Parish Hall, Elizabeth, NJ (8)	67,477	48,855
Trinity Lutheran Church, Camden, NJ (9)	-	61,794
Bridge of Peace, Camden, NJ (10)	60,220	51,984
Bethel, Hamilton, NJ (11)	127,078	61,293
Bethel Parsonage, Hamilton, NJ (12)	37,990	25,850
Land - God is With Us, Jackson, NJ (15)	392,388	388,948
Townsend's Inlet, Sea Isle, NJ (17)	6,094	660
St. Peters Church, North Plainfield, NJ (18)	12,034	323
Advent Lutheran Church, Trenton, NJ (19)	20,886	-
	<u>\$ 2,086,774</u>	<u>\$ 1,765,427</u>
<u>Property sold listed at carrying value</u>		
New Life Parsonage, Camden, NJ (13)	\$ -	\$ 16,787
Brueckner House, Ridgefield, NJ (14)	-	315,851
Spirit of Hope, Mount Ephraim, NJ (16)	-	215,000
New Life Lutheran Church, Camden, NJ (2)	111,701	-
Trinity Lutheran Church, Camden, NJ (9)	64,316	-
	<u>\$ 176,017</u>	<u>\$ 547,638</u>

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

B. LAND AND PROPERTY HELD BY THE SYNOD (CONTINUED)

- (1) The Synod currently has an agreement in place to transfer the property to a congregation once they have been reimbursed for all capital expenditures.
- (2) The building at New Life Lutheran Church was being utilized by a non-Lutheran congregation. On February 12, 2010, the Synod sold the property for \$120,000 to that congregation and concurrently executed a Mortgage and Security Agreement in the amount of \$115,000 (Note D).
- (3) The Synod is currently leasing this property to a housing mission agency and for ecumenical ministry by a social ministry agency.
- (4) The Synod is currently leasing this property to a housing mission agency as well as being used by an active congregation.
- (5) This property is being used as a parsonage for the pastor of the Pilgrim Journey congregation.
- (6) The Synod has converted this property to the Elizabeth Lutheran Center ("ELC"). The ELC hosts the Santa Isabel and Pilgrim Journey congregations.
- (7) The ELC Parsonage houses the ELC pastoral offices and is used by the pastor of the Santa Isabel congregation. This property was separated from the Elizabeth Lutheran Center in 2009 (see note 6 above).
- (8) The ELC Parish Hall is currently used for congregation fellowship. This property was separated from the Elizabeth Lutheran Center in 2009 (see note 6 above).
- (9) The building at Trinity Lutheran Church was being leased to New Visions, Inc., a multi-part social ministry agency and an AIDS ministry. On October 13, 2010, the Synod sold the property for \$1 to Lutheran Social Ministries of New Jersey to continue the New Vision ministries.
- (10) Bridge of Peace congregation has transitioned from a mission ministry to an organized congregation in May 2007. The Synod continues to own the property and assist the congregation.
- (11) The congregation closed in November 2007 and the church building is currently used by Elect Saints, an organized congregation (May 2010).
- (12) The parsonage is used by the Elect Saints Pastor. The Church and Parsonage were separated in 2008 (see note 11 above).
- (13) The Parsonage was sold on February 20, 2009, to fund Camden ministries for \$40,000.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

B. LAND AND PROPERTY HELD BY THE SYNOD (CONTINUED)

- (14) The current resident has ceased to occupy the house as her primary residence, which prompted a listing for sale. The property was sold on February 13, 2009, for \$375,000. The proceeds from the sale of the property in the amount of \$330,659 were put into an escrow fund due to pending estate taxes associated with the Brueckner estate. The Synod received notification in February 2010 that the estate tax issue has been settled (Note L).
- (15) Land was purchased in 2007 for a New Jersey Synod Mission Congregation.
- (16) The congregation closed in February 2008. The Synod sold the property on December 18, 2009, for \$650,000 and concurrently executed a Mortgage and Security Agreement in the amount of \$600,000 (Note D).
- (17) The Townsend's Inlet property is currently being used. The Synod believes they have legal rights to this property and have paid legal fees associated with title research to obtain title to this property.
- (18) This congregation voted to close in November 2009 and has asked the Synod to sell the property.
- (19) This congregation closed and the Synod assumed responsibility for the property in September 2010.

C. INVESTMENTS

Investments are stated at fair value and consist of certificates of deposit, corporate bonds, funds invested with the Evangelical Lutheran Church in America ("ELCA") and corporate stocks.

The Synod values its investments using measurement inputs at quoted market prices (Level 1), observable measurement criteria (Level 2), or unobservable measurement criteria (Level 3).

The table below sets forth a summary of changes in the fair value of the Synod's investments for the years ended December 31, 2010 and 2009:

	December 31,					
	2010			2009		
<u>Current Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Certificates of deposit	\$ 307,244	\$ 307,244	\$ -	\$ 530,974	\$ 530,974	\$ -
Corporate bonds	784,199	800,506	16,307	1,114,993	1,130,547	15,554
ELCA funds	237,607	309,489	71,882	237,607	286,977	49,370
	<u>\$ 1,329,050</u>	<u>\$ 1,417,239</u>	<u>\$ 88,189</u>	<u>\$ 1,883,574</u>	<u>\$ 1,948,498</u>	<u>\$ 64,924</u>

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

	December 31,					
	2010			2009		
	Cost	Fair Value	Unrealized Appreciation	Cost	Fair Value	Unrealized Appreciation
Other Investments						
Corporate stocks	\$ 1,467,191	\$ 1,693,779	\$ 226,588	\$ 1,427,627	\$ 1,449,514	\$ 21,887
Mission Investment Fund certificates of deposit	682,981	682,981	-	839,746	839,746	-
	<u>\$ 2,150,172</u>	<u>\$ 2,376,760</u>	<u>\$ 226,588</u>	<u>\$ 2,267,373</u>	<u>\$ 2,289,260</u>	<u>\$ 21,887</u>

The tables below present the balances of investments measured at fair value on a recurring basis as of December 31, 2010 and 2009, by valuation hierarchy:

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	\$ 307,244	\$ 682,981	\$ -	\$ 990,225
Corporate bonds	800,506	-	-	800,506
ELCA funds	-	-	309,489	309,489
Equities	1,693,779	-	-	1,693,779
Total investments, at fair value	<u>\$ 2,801,529</u>	<u>\$ 682,981</u>	<u>\$ 309,489</u>	<u>\$ 3,793,999</u>

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	\$ 530,974	\$ 839,746	\$ -	\$ 1,370,720
Corporate bonds	1,130,547	-	-	1,130,547
ELCA funds	-	-	286,977	286,977
Equities	1,449,514	-	-	1,449,514
Total investments, at fair value	<u>\$ 3,111,035</u>	<u>\$ 839,746</u>	<u>\$ 286,977</u>	<u>\$ 4,237,758</u>

The table below sets forth a summary of changes in the fair value of the Synod's Level 3 investments for the years ended December 31, 2010 and 2009:

	2010	2009
Fair value, beginning of year	\$ 286,977	\$ 237,607
Dividend income	13,224	14,261
Net unrealized gains	22,512	49,370
Income distribution	(13,224)	(14,261)
Fair value, end of year	<u>\$ 309,489</u>	<u>\$ 286,977</u>

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

D. MORTGAGE RECEIVABLES

The Synod had the following mortgage receivables as of December 31, 2010:

New Life Lutheran Church, Camden, NJ	
\$115,000 at 5.0% interest, due February 12, 2015	\$ 112,149
Spirit of Hope, Mount Ephraim, NJ	
\$600,000 at 6.0% interest, due December 18, 2011	<u>592,632</u>
Total	<u>\$ 704,781</u>

Total maturities of mortgages receivable for the year ending December 31, 2010, are as follows:

2011	\$ 596,213
2012	3,764
2013	3,957
2014	4,160
2015	<u>96,687</u>
Total	<u>\$ 704,781</u>

E. SYNOD HOUSE PROPERTY AND EQUIPMENT

Synod House property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$ 619,398	\$ 619,398
Furniture and equipment	74,165	74,165
Transportation equipment	<u>96,318</u>	<u>245,530</u>
Subtotal	789,881	939,093
Accumulated depreciation and amortization	<u>186,557</u>	<u>313,934</u>
Total	<u>\$ 603,324</u>	<u>\$ 625,159</u>

F. LOAN PAYABLE

In connection with the transfer of title on property from St. Johns Church (the "Church") (see Note B), the Synod borrowed \$248,800 to pay off certain costs of the Church. The loan carried an interest rate of 4.25%. The Synod also assumed a loan of the Church in the amount of \$206,718 with an interest rate of 7.75%. During 2005, these loans were consolidated and refinanced into a five-year adjustable rate loan, due June 2010. The loan was repaid during 2010 with proceeds from the sale of certificates of deposit that had matured. The Synod has an internal mortgage at a rate of 5.00%, held by the investment committee of the Synod, totaling \$138,342 as of December 31, 2010.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

G. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available to support activities for the following funds:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009 *</u>
Designated Support		
Theological Education Fund (Philadelphia Seminary)	\$ 294,617	\$ 290,917
Danish Home Fund Interest	5,951	22,207
Franklin Fry Chair Fund	30,328	26,426
Brueckner Fund	347,103	295,029
Cross Roads Reserve	701	601
Compensation Aid Fund	80,241	76,009
Stewardship	3,916	4,076
AIDS Ministry	989	5,989
Namibia Special Fund	21,074	31,046
Croatia Companion Synod	6,677	6,677
Other Temporarily Restricted	1,693	23,438
Mission Ministries		
Christ Ridgefield Park Transitional Facilities	158,179	156,023
Mission on the Move	333,915	304,302
Suddler Trust	21,563	21,563
Hudson/Christ Ridgefield	14,449	16,491
Advent Legacy Maintenance	176,679	-
Bethel Maintenance	24,669	34,473
Total	<u>\$ 1,522,744</u>	<u>\$ 1,315,267</u>

* Certain items have been reclassified for comparative purposes.

Net assets were released from donor restrictions by satisfying the donor restrictions as follows:

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009 *</u>
Designated Support	\$ 216,078	\$ 155,776
Mission Ministries	58,976	182,110
Total	<u>\$ 275,054</u>	<u>\$ 337,886</u>

* Certain items have been reclassified for comparative purposes.

Permanently Restricted Net Assets

Permanently restricted net assets are endowment funds restricted in perpetuity for the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Danish Children's Home	\$ 31,104	\$ 31,104
Transitional Ministries (Fund for Mission)	445,462	445,462
Total	<u>\$ 476,566</u>	<u>\$ 476,566</u>

Income generated by the Danish Children's Home asset is temporarily restricted and income generated by the Transitional Ministries (Fund for Mission) asset can be used for operating purposes.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

H. CONCENTRATION OF RISK

The Synod maintains an operating cash balance which may exceed Federal and other insurance limits. It historically has not experienced any credit-related losses. The risk is managed by maintaining the majority of its deposits in high-quality financial institutions. The Synod maintains investment balances that may exceed federally or other insured limits, although historically the Synod has not experienced any credit-related losses. The investments are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions and world affairs.

The Synod invests with the Mission Investment Fund ELCA. These investments are not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. It historically has not experienced any credit-related losses.

I. RETIREMENT PLAN

Substantially all full-time employees of the Synod are enrolled in an employee savings provision plan (401(k) retirement plan) made available and administered by the Board of Pensions of the ELCA. The Synod contributes between 6% and 12% based upon the plan agreement. The full current employer cost provided for under the plan was approximately \$119,000 and \$108,000 for the years ended December 31, 2010 and 2009, respectively.

J. EQUITY IN CROSS ROADS OUTDOOR MINISTRIES

Camp Beisler was acquired by the Lutheran Church in 1953. In 1988, a merger of over 20 separate Lutheran denominations took place, forming the ELCA. At that time, Camp Beisler became part of the Synod.

In February 2000, the Synod signed an agreement with the Diocese of Newark of the Protestant Episcopal Church in the United States of America (the "Diocese") whereby the Synod conveyed a 50% interest in the improvements to the land at Camp Beisler. The Synod received \$730,000 for this interest and recorded a gain of \$367,827, net of the cost basis. In connection with this agreement, the Synod executed a fifty-year ground lease for \$100 each year with the Lutheran/Episcopal Camp and Conference Center, Inc. (the "Camp and Conference Center"), a new corporation formed to operate the Cross Roads Outdoor Ministries (formerly Camp Beisler). The Synod and Diocese lease the land improvements to the Camp and Conference Center for \$1 a year for fifty years, concurrent with the ground lease. The Synod carries its investment in the Camp and Conference Center on the equity basis. The agreement further provides that in the event that the Synod causes the Camp and Conference Center to be dissolved or the ground lease is terminated by the Synod, the Synod will repurchase the Diocese's 50% interest in the land improvements for the greater of fair market value or \$730,000. In the event that the Diocese causes the Camp and Conference Center to be dissolved or withdraws from the Camp and Conference Center, the Synod will repurchase the Diocese's 50% interest in the land improvements for the lower of fair market value or \$730,000. At December 31, 2010, the Synod's equity in Cross Roads Outdoor Ministries

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

J. EQUITY IN CROSS ROADS OUTDOOR MINISTRIES (CONTINUED)

was \$1,666,559, which represents principally the cost of land and land improvements, net of accumulated depreciation and 50% equity in cumulative earnings of the camp and conference center.

Summary financial information for the year ended December 31, 2010, is presented as follows:

Total support and revenues	\$ 500,905
Total expenses	<u>471,097</u>
Change in net assets	29,808
	<u>x 50%</u>
Synod portion of equity in earnings of Cross Roads Ministries	<u>\$ 14,904</u>

The Synod has designated a separate fund (designated net assets) in the event the Camp and Conference Center is dissolved by either party. The balance at December 31, 2010, was \$400,247. In addition to the designated reserve for Cross Roads Outdoor Ministries, restricted contributions of \$347,103 associated with the sale of the Brueckner House (Note B) were also set aside as a reserve amount.

K. ENDOWMENT POLICY

Endowment Description & Interpretation of Relevant Law

The Synod endowment consists of eight funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Synod Council and the Synod Investment Committee have interpreted the Uniform Prudent Management of Institutional Funds Act to require standard care that is reasonable and prudent over its endowed funds. The Synod currently classifies permanently restricted net assets at the original value of gifts donated to the permanent endowment. The remaining portion of the endowment funds is classified as temporarily restricted designated net assets if donor-restricted in purpose, or unrestricted net assets if no specific purpose has been designated.

Endowment Spending Policy

During the year ended December 31, 2005, the Synod Council approved an Investment Policy that has spending guidelines. The purpose of this Investment Policy is to establish a prudent and consistent approach to the distribution of endowment earnings that reflects an appropriate balance between the present and future needs. The policy is designed to provide a reasonable degree of stability and predictability in the amount of endowment earnings available for grants, scholarships and the other restricted purposes established by donors, as well as in the amount available for support of the Synod Spending Plan. The Synod Council has approved expenditures based on resolutions for Wurffel scholarships and grants, Fund for Mission grants and approval of the Spending Plan. The Synod Council has been approving expenditures in the six to eight percent

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

K. ENDOWMENT POLICY (CONTINUED)

Endowment Spending Policies (Continued)

range based on the previous three years' average investment balance. During 2009, the Synod Investment Committee modified the Investment Policy for disbursements to be in the four to six percent range based on the previous three years' average investment balance. In 2010, the Synod Council approved these modifications to the Investment Policy. The Synod Investment Committee annually considers modifications to the Synod Investment Policy. All disbursements are expended according to donor restrictions and are classified as net assets released from restrictions in the accompanying statement of activities.

For the years ended December 31, 2010 and 2009, the total amount appropriated and spent on grants, scholarships and to support the spending plan was \$202,293 and \$211,138, respectively.

Endowment Investment Policies

The Synod Council and the Synod Investment Committee have adopted investment policies that seek long-term capital growth, current income and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. The endowment investments may be invested in any combination of common stocks, securities convertible to common stock, preferred stocks, fixed income securities, mutual funds, managed funds and certificate of deposit as long as the ratio of equities to fixed income does not exceed 70% equities. Ten percent (10%) of all investments are with organizations that follow a socially oriented investment policy. All investments comply with the ELCA's social responsibility guidelines.

To satisfy its long-term objectives, 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). The Synod targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Under the provisions of the Uniform Prudent Management of Institutional Funds Act and GAAP, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in temporarily restricted net assets or unrestricted net assets, or both. The permanently restricted net assets of such endowment funds should always equal their historic dollar value. An endowment fund that has become "underwater" will therefore result in decreases in temporarily restricted or unrestricted net assets, despite the absence of any legal obligation to restore the endowment fund for such losses. Unrestricted net assets that have been reduced because of this requirement will be restored from future gains for that reduction. For the years ended December 31, 2010 and 2009, no transfers of net assets were required.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

K. ENDOWMENT POLICY (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,534,275	\$ 637,022	\$ 476,566	\$ 3,647,863
Investment return	203,764	108,225	-	311,989
Total investment return	203,764	108,225	-	311,989
Contributions	51,000	100	-	51,100
Endowment disbursements	157,293	66,482	-	223,775
Endowment net assets, end of year	<u>\$ 2,631,746</u>	<u>\$ 678,865</u>	<u>\$ 476,566</u>	<u>\$ 3,787,177</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,206,026	\$ 300,234	\$ 476,566	\$ 2,982,826
Investment return	338,792	130,756	-	469,548
Total investment return	338,792	130,756	-	469,548
Contributions	150,000	330,659	-	480,659
Endowment disbursements	160,543	124,627	-	285,170
Endowment net assets, end of year	<u>\$ 2,534,275</u>	<u>\$ 637,022</u>	<u>\$ 476,566</u>	<u>\$ 3,647,863</u>

L. SUBSEQUENT EVENTS

In accordance with United States GAAP, management has evaluated subsequent events that occurred after the statement of financial position date but before April 5, 2011, the date the financial statements were available to be issued and determined that no disclosures are required.