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ANNUAL REPORT OF TRINITY LUTHERAN CHURCH • STILLWATER, MN

ANNUAL MEETING INFORMATION & FINANCIAL REPORTS

Welcome to the Financial Section of this year's Annual Report! As Trinity Lutheran Church embraces a vision for the future according to our mission statement, we recognize the need for strong financial support for our ministries and also for faithful stewardship of the resources placed in our care.

We pray our ministries continue to reflect our commitment to reach out to our community and the world beyond.

Part One of the Financial Section includes a letter from the CPA firm retained to review our financial data and their reports on Trinity's financial activity for the past two years.

Part Two of the Financial Section includes a recap of the past year's budget, a breakdown of actual income and expense, a Treasurer's Report and Balance Sheet summary.

The proposed budgets to support our ministries concludes the report.



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**142nd Annual Meeting of
Trinity Lutheran Church
Stillwater, Minnesota
Sunday, March 17, 2013
11:45 a.m.**

This Annual Report is submitted to you, the members of Trinity Lutheran Church, in the hope that it will be a valuable and informative tool for your use.

As you read through this report, it is our hope that you have an understanding of what has transpired at Trinity Lutheran Church during the year 2012.

It is also our hope that this will serve adequately to inform the future congregation about what transpired this year. Please read the report in its entirety before the meeting as the reports will not be read at the meeting.

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Trinity website



Trinity giving



ANNUAL MEETING OF

TRINITY LUTHERAN CHURCH • STILLWATER, MN

142nd ANNUAL MEETING OF TRINITY LUTHERAN CHURCH
Stillwater, Minnesota

MARCH 17, 2013, 11:45 a.m.

Meeting Agenda

1. Meeting Called to Order – President Eric Jackson
2. Opening Prayer
3. Approval of Agenda
4. Introduction of Parliamentarian
5. Approval of Procedures
6. Appointment of Tellers
7. Approval of Minutes of 2012 Annual Meeting
8. Introduction of Congregational Council Members
9. Report of the Nominating Committee
10. Election of 2014 Nominating Committee
11. Election of 2013 Congregational Council
12. Proposal to Amend By-laws to Change Fiscal Year
13. Recommended Motion for Nomination of Synod Delegates
14. Reports of the Ministry Teams and Congregational Council
15. Report on Luther Seminary Intern Program
16. Update on Opening Doors Capital Appeal & Project
17. Table Discussions – Congregation Outcomes
18. Report of the Church Treasurer for 2012
19. Croix Center Project Financing Update
20. Approval of Croix Center Financing Plan
21. Presentation of Proposed Budget for 2013
22. Discussion: Faith & Family 2020 Vision
23. Approval of Proposed Budget for 2013
24. Other Business
25. Adjournment

ANNUAL MEETING

Minutes of the 141st Annual Meeting of Trinity Lutheran Church held on March 25, 2012

1. Pastor Dan Poffenberger opened the meeting with prayer.
2. Congregational Council President Eric Jackson called the meeting to order at 11:45am. 153 Congregational members were in attendance.
3. Michelle Hermensen led us in the reading of Psalm 23 interpreted by Ann Wolf of our congregation.
4. The Annual Meeting agenda was presented to the Congregation. A motion was made and seconded to approve the agenda. The motion passed and the agenda was approved.
5. Gail Olson was introduced as the Parliamentarian for the annual meeting.
6. Gail Olson reviewed the procedures for the annual meeting. A motion was made and seconded to approve the procedures and the motion passed.
7. The minutes of the 2011 Annual Meeting and the October 30, 2011 Special Congregational Meeting were presented for approval. A motion was made and seconded to approve the annual minutes and the special meeting minutes as presented, and the motion passed.
8. The members of the Congregational Council were introduced.
9. Eric Jackson introduced the Nominating Committee Chair Jolene Patterson and she thanked Nominating Committee members Terry Arnesen and Sheila-Marie Untiedt. The Nominating Committee was charged with providing two candidates for the Council. They used the guidelines that are identified in the Constitution.
10. Sara Godfrey and Dana Miller were introduced as the candidates selected by the Nominating Committee for the Congregational Council positions. There being no nominations from the floor, a motion was made and approved to approve the ballot as printed. Eric Jackson introduced a motion to authorize a voice vote for the Congregational Council positions if no one from the floor was opposed. Under Trinity's Constitution a written ballot is required. A voice-vote motion was made, seconded, and approved by the floor with no opposition.
11. The Congregation proceeded with the election. The following nominees were elected to these Congregational Council terms:
 - a. Sara Godfrey – a second 3-year term
 - b. Dana Miller – a second 3-year term
12. Jolene Patterson, Terry Arnesen and Sheila-Marie Untiedt were nominated as the 2013 Nominating Committee. A motion was made, seconded and passed.
13. A motion was made and seconded to delegate authority to the Congregational Council to select delegates to attend the Synod Assembly. The motion passed without discussion.
14. Dan Poffenberger briefly introduced the Core Leadership Team. He reiterated the success of the “groups and teams” layout that we moved to a few years ago.
15. The Church Treasurer, Todd King, was introduced to present the Treasurer's report for 2011. Todd King highlighted the following; expenses were well managed, contributions were \$1,626,000, which was even with 2010, \$66,000 below budget. We were at or above budget through September, but shortages occurred at the end of the year when we normally receive the bulk of contributions historically. Also, a large gift was expected earlier than it came through. Fees and payments were down, fewer events took place, so the expense related to the activities were also down, so this washes. Capital income came from both Trinity for Tomorrow Appeal and the Opening Doors Capital Appeal. We ended the year with a \$72,000 deficit.
16. Todd King presented the proposed budget for 2012 for approval. This budget proposes an increase of \$96,000 in overall contributions over 2011 actuals; programs and overhead to continue as 2011 levels; and personnel expenses continue at 2011 levels. The budget includes no projected income from non-USPS rent. The Opening Doors Appeal will cover primarily mortgage expense and expenses related to the appeal in 2012. Our primary mortgage rate will be lowered from 5.75% to 4.25% in May. The proposed 2012 budget is balanced. Mortgage expense detail was presented.
17. Eric Jackson opened a discussion regarding “Focus on: 2020 Vision” - Looking forward to our 150th anniversary in the year 2020.

Summary of Trinity's Debt History – 1983 construction, post office, upgrades, Croix Center renovation in 2003, 3rd St. duplex property purchase.
18. Pastor Dan discussed the drive in, the new parking lot on 3rd street, purchase and now improvement of Croix Center. (Good news.) Bad news = debt that we carry. Trinity's total mortgage (including line of credit) is currently \$277,000. Mortgage ends in May 2034. Current mortgage balance is \$2,885,000, Croix Center will be \$650,000 at completion, LOC is currently \$385,000 (Total indebtedness is \$3,920,000)
 - a. Ratio of Debt to Assets of Peers chart shown. (Trinity is in the middle at 54% with highest at 87% and 63% and lowest at 23% and 29%.)

19. History of debt challenges - St. Croix Preparatory School 2004-2008. Much of that \$ was used to increase staffing here. Contributions were growing 3.5% to 6.5% annually between 2003-2008, then fell 4% in 2009 (due to the recession). Loss of St. Croix Prep and Recession = Double Whammy. In 2009, we moved the mortgage expenses into a capital budget and created a capital budget to better manage those dollars with more clarity. We also began the Trinity for Tomorrow Capital Appeal in 2009 to help with the loss of income; we purchased the drive-in; negotiated the move of USPS and the new parking ramp deal. (Reminder that we are responsible for the upkeep of the current USPS if they stay, which needs a new roof, parking lot, and other expensive renovation.)
20. Details of Trinity for Tomorrow appeal were reviewed. An 18-month appeal to raise \$1.3M to fund the development of conceptual plan for building addition, the drive-in purchase, mortgage payments, missions, and worship center improvements. \$1.07M was raised by 12/31/11 and was spent according to the chart on slide 28 of the presentation.
21. Dan gave an overview of the Opening Door Capital Appeal – general plan and current status.
22. Big question going forward – How do we fund the mortgage. Current plan is to cover it through the Opening Doors appeal through 2013. What do we do next? Some options were shown. The question needs to be explored by the congregation.
23. Paul Holmes, leading the design team for the new addition, was introduced. He did a brief introduction of the rest of the design team and gave an overview of project, how the design has changed due to congregation input. He briefly described the changes, showing the “old” drawing and the current new ones. \$3M new construction, \$250K in project-related costs, \$750K in mortgage expenses. Challenges - \$325K-\$350K to sprinkle entire building (new mandate), \$100-\$150K furnishings, \$100K demo of USPS, possible other costs driven by unknown conditions.
24. Opening Doors update - \$2.4M pledged to date (60% of goal). 270 families have pledged – 52% of goal of 500.
25. Dan introduced Angie Brekke of the Vibrant Stewardship Team. Angie gave an overview of the Vibrant Stewardship Project (funded by Lily Foundation, research done by Luther Seminary). Interviews were conducted. SWOT was created. Strengths for Trinity that stood out - Culture of Gratitude, strong heartbeat for serving others through mission are our biggest strengths. Weaknesses that came out were biblical literacy as a basis for generosity (not uncommon), connection between faith and money. No Trinity-specific Threats – society and messages of materialism are common threats. Our greatest opportunity that came out of the study is to support spiritual development through awareness of our choices regarding money and possessions. Generosity is not a financial matter, it is a spiritual one. Vibrant Stewardship Team goals for Trinity:
 - a. To claim the great privilege and great responsibility of stewarding God’s creation
 - b. To manifest the heart of Jesus
 - c. To grown in the grace of giving
26. Discussion about growth opportunities and financial resources moving toward 2020 - Missions and ELCA benevolence, Adult Ministries (“Releasing the Creative Power of Faith”), Children Youth and Family, Staffing, Facilities, Gratitude and Stewardship. Table conversation related to what people are most excited about in Trinity’s development going forward.
27. Trinity’s Financial Resources – Congregation has annual gross earnings of \$110M. Contributions currently make up 72% of Trinity’s 2012 operating budget. Current endowment is only 1.5% of Trinity’s operating budget. Appeals – we have done 2, and could consider more for many growth areas. These are all just some of the options that we want to explore as a congregation over the next couple of years. Missions giving represents 13.5% of our operating budget. About 1/3 of missions participants are from outside of Trinity, so many of the funds also come from outside of Trinity. Physical assets – current lease income is only 1.4% of operating budget.
28. How do Trinity’s opportunities relate to its financial resources? Illustrations were shown on our opportunity categories listed above and the areas of financial resources that could be used as levers to grow our areas of priority. (Slides 61-66 of 2012 Annual Meeting Presentation.)
29. Eric Jackson brought the 2012 proposed budget back on the table for discussion and approval. It was shown again, a motion was made and seconded to approve the budget as proposed and the motion was opened for discussion. A question was asked on the improvements and why it was a low amount. We have minimized the expenses on maintenance this year due to past improvements already made and also to keep our funds this year in check. Chuck Claus raised a comment about making sure our aging population is a focus going forward. Another question was raised on how we determine our budget, considering that last year was behind. Todd King explained the process. A question on why the mortgage expense was higher – Croix Center. And does the council look forward beyond this year when creating the budget – yes, that is part of our goal with this conversation - to look forward. The motion was put to a vote to approve the 2012 budget and the motion passed unanimously.
30. Dan thanked all those who worked to put together this meeting. A special thank you to Todd King, the treasurer, for putting in many, many hours.
31. Doug Johnson motioned to have Council come back to the Congregation at next year’s annual meeting with a recommendation whether or not to change the fiscal year of the Congregation. The motion was seconded and passed.
32. There being no further business, a motion was made and seconded to adjourn the annual meeting, and the motion passed.
33. Julie Jolivet led the group in reading the Psalm of Gratitude together and the annual meeting concluded at 1:55 p.m.

Respectfully submitted, Sara L. Godfrey, Secretary

2012-2013

CONGREGATIONAL COUNCIL at TRINITY

Eric Jackson, *President*

Julie Schmidt, *Vice President*

Sara Godfrey, *Secretary*

Todd King, *Treasurer*

Jeff Anderson

Dana Miller

**Council reports
are posted on
Trinity's website at
www.trinitylc.org**

2012 Statistics

Total number of baptized members at the beginning of 2012	3955
Number of members received through baptism	47
Number of members received through confirmation.....	24
Number of members received through transfer/affirmation of faith	97
Number of members removed through death	14
Number of members removed through transfer, request, etc.	159
Total adjusted number of baptized members at the end of 2012.....	3950
Non-member funeral services conducted by Trinity pastors	6
Weddings conducted by Trinity pastors	19

Average Worship Attendance

5 p.m.	82
9 a.m.	298
10:30 a.m.	268
5 p.m. (Summer)	50
Drive-In	431
10 a.m. (Summer).....	106

Easter

5 p.m. - Easter Eve	181
8 a.m.	381
9:30 a.m.	1008
11 a.m.	491
TOTAL	2061

Christmas Eve

2 p.m.	374
3 p.m.	315
4 p.m.	626
5 p.m.	422
7:30 p.m.	261
9 p.m.	328
TOTAL	2326

Trinity Staff

Core Leadership Team

Bob Eiselt.....	Parish Administrator
Pastor Siri Erickson.....	Pastor of Lifelong Learning
Julie Jolivette	Director of Group & Team Ministries & New Member Development
Phil Kadidlo	Director of Worship and Music Ministries
Pastor Candace Moser.....	Pastor of Care Ministries
Jody Nyenhuis.....	Director of Family Ministries
Pastor Dan Poffenberger	Lead Pastor
Mary Steffl	Director of Communications
Tom Thiets	Director of Mission Ministries
Jody Thone.....	Director of On Purpose Ministries

Staff Members

Rebecca Arco	Children's Ministries Coordination Specialist
Sarah Bane	Junior High Ministries Coordinator
Susan Carr	Food Service Manager
Carol Carver.....	Director of Worship, Adult Choir Director
Maren Coltvet	Children's Ministries Coordination Specialist
Sonia Esch	Lead Children's Choir Director
Dave Goulette	Organist
Thomas Hosek.....	Lead Custodian
Zanny Johnson.....	Worship Leader
	Worship Support Coordinator
Cory Jones	Senior High Ministries Director
Kari Kahl.....	Youth Administrative Support
Craig Koehnén	5 p.m. & Drive-In Worship Leader
Christine Lande.....	Children's Ministries Admin. Support
Jessica Leach	Children's Ministries Coordination Specialist
Larry Loyer	Hospitality Ministries
Jake McBroom.....	Audio/Visual Technical Coordinator
Anne Mikesh.....	Custodian
Rhea Miller.....	Audio/Visual Technician
Rick Minichillo	Custodian
Ellen Neseth.....	Accounting Coordinator
Jody Nyenhuis.....	Children's Ministries Team Leader
Debi Orff	Bell Choir
Karen Remington	Receptionist, Weddings
Martha Sather	Children's Choirs
Amy Shalles	Publications Specialist
Jane Strauman.....	Children's Choirs
Eric Trosdahl.....	Financial Secretary
Jeannie Wendorf.....	Office Manager
Jackson Weyrauch	Audio/Visual Technician

BAPTIZED

Kayleigh Rae Backberg
Thomie Dean Wilson
Noah Phillip James Benson
Henry Lee Buberl
Wyatt Finnegan Knodt
Isaac James Weiss
Owen Crosby Peltier
Elijah Ronald Fredkove
Cole Martin Schmoeckel
Hanna May Schmoeckel
Myles Thomas Funk
Truman Elias Bednar
Logan Mark Madsen
Matthew David Wachter
Marta Jayne Bradshaw
Violet Lea McBroom
Carmody Renee Mildon
Juliana Jill Goetzke
Van Brian Carlson
Adelle Elizabeth King
Austin Marion Goetze
Henrik Lyle Gosso
Nora Lou Gosso
Taylor Phillip Thomas
Madeline Marie Reberk
Sofia Julianne Longway
Madelyn Anne Longway
Wyatt Richard Dwyer
Carmen Jolien Reyzer
Zola Wren Gubricky
Beckett Otto Hintze
Colton Crosby Jonnes
Adilene Kay Swenson
Alice Rae McDonald
Harper Marie McDonald
Charlotte Viola DeCorsey
Bennett William Madison
Bjorn Christopher Kipp
Sarah Elizabeth Nielsen
Landis Jonathan James
Spurbeck
Nolan Daniel Clavette
Ellie Ann Pearson
Clara Noel Gossai
Erik Alexander Hess
Julia Evelyn Magnuson
Sabrina Lynn Silva
Avery James Cavalier

TOTAL = 47

CONFIRMED

Christina Jo Bartingale
Genna Taylor Bartingale
Laura Janelle Brothorn
Matthew Paul Brownson
Ross Donald Buerkley
Kara Lee Campeau
Colton Riley Cannon
Isaiah Patric Cichon
Elizabeth Mary Click
Christine Irene Corcoran
Anna Rose Corman
Victoria May Dahl
Abby Doeksen
Katelyn Marie Dooley
Georgia Jane Eger
Madison Ann Engstrum
Tina Louise Erickson
Katelyn Danielle Gallagher
Hannah Bailey Glasrud
David Guild
Gabrielle Jewell Taylor
Gullickson
Joseph Richard Hammer
Samuel August Hammer
Austin Aloysius Harty
Claire Linnea Haws
Anna Elizabeth Heggestuen
Hannah Joy Holsten
Hunter Christian Iverson
Ashlyn Maria Jelinek
Cole Taylor Johnson
Travis David Johnson
Ryan Robert Jordan
Megan Elizabeth Katula
Matthew Lawrence Kaye
Avery Christopher Kearney
Katie Laine Koerner
Austin Patrick Korlin-Downs
Mary Patricia Korlin-Downs
Keaton James Larson
Mia Elizabeth Lawrence
Avery Faye Leintz
Emily Elizabeth Lodahl
Lexis Tamiilo Lowell
Alexa D.C. Lyng
Molly Jones Mapstone
Jacob Michael Marsnik
Cole Martinsen
Abraham Masters
Sarah Jane Matschi
Jessica Jonelle Nelson
Zachary David Nelson
Sarah Elizabeth Nielsen
Kelli Lynn Nieman
Jack Olson
Michelle Lee Olson
Colin Joseph Peters
Julia Jennifer Scherek
Samuel John Schoenborn
Anthony Robert Shanley
Madeline Elizabeth Steffl

Jackson Elijah Kim Thiets
Matthew Lewis Trumper
Madisen Paige Valsvik
James William VandenBergh
Megan Marie Weaver
Nelson Whittmore Weaver
Paul Henry White
Emily Renee Wiegand
TOTAL = 68

**New Members through
Confirmation = 24**

MARRIED

Jenna Bird &
Michael Haase
Carlee Crain &
Jacob Hewes
Cherise Olson &
Michael Weber
Margot Bieging &
Blake Kraemer
Katherine Coil &
Kevin Jadwinski
Jennafer Nanke &
Anders Larson
Judy McEiver &
William Ricci
Nichole Quade &
Brian Mulvehill
Sarah Benoy &
Joshua Ward
Malinda Myhre &
Troy Shannon
Kelsey Wallace &
Kevin Zilles
Jacqueline Keaveny &
John Edison
Jessica Hanson &
Michael Determan
Andrea Mulhausen &
Casey Johnson
Bethany Jorgensen &
Brandon Ekren
Katherine Westergren &
Jens Brabbit

TOTAL = 19

RENEWAL OF VOWS

Cali Swager &
Miles Kensler
Carolyn Harper &
Thomas Most
Tracy & Brian Albertson

TOTAL = 3

FUNERALS

Harold A. Segelstrom
Ella Edith Ramberg
Robert Earl Safe
Harmon Lynn Cox
Mark Rollyn Madsen
Earl William Nystrom
LaVonne A. Gavelek
Donald Arthur Pederson
****Averylyn Faith Richert**
(stillborn infant)
Rene Joy Linberg
Orville Ernst Doering
Van Brian Carlson -- Infant
Joyce May Doering
Ernest Harold Teed
Gerald Loren Roy Johnson
David Adolph Otto
William "Bill" Nelsen
Carl Nelson Duberg
Margey M. Sorenson
Charles E. Mereness
Juanita Louise Easton Lande

TOTAL = 21

MEMBERS = 14 (BOLD)



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and company, ltd.

certified public accountants
and consultants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Church Council
Trinity Lutheran Church
Stillwater, Minnesota

We have reviewed the accompanying statements of financial position – modified cash basis of Trinity Lutheran Church as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows – all on the modified cash basis, for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Church management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matters described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note B.

As disclosed in Note B to the financial statements, the capitalization of property and the recording of depreciation over the estimated useful lives of the assets is a generally accepted modification of the cash basis of accounting. Management has informed us, however, that the Church has stated property and equipment in the accompanying financial statements at the November 1, 1995 replacement cost, which is not a generally accepted modification of the modified cash basis of accounting. Capital additions after that date are being recorded at cost or fair market value if received as donations. The effect of these accounting departures from the modified cash basis of accounting on the financial statements has not been determined. Under the modified cash basis of accounting prepaid expenses are not recognized. Management has informed us that the Church has capitalized certain prepaid expenses totaling \$39,667 and \$2,455 at December 31, 2012 and 2011, respectively. If prepaid expenses were not capitalized, prepaid expenses would not be recorded and net assets would also decrease by \$39,667 and \$2,455 at December 31, 2012 and 2011, respectively. Net income would decrease by \$39,667 and \$2,455 for the years ended December 31, 2012 and 2011, respectively.

February 28, 2013

Foley Kalseim & Company Ltd

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TRINITY LUTHERAN CHURCH
Statements of Financial Position - Modified Cash Basis
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash	\$ 270,158	\$ 397,256
Investments	878,609	800,961
Prepaid expenses	39,667	2,455
Trinity for Tomorrow work in process	275,416	275,416
Opening Doors work in process	174,086	17,442
Construction work in process	-	105,497
Property and equipment, net of accumulated depreciation	<u>5,548,531</u>	<u>5,096,586</u>
Total assets	<u><u>\$ 7,186,467</u></u>	<u><u>\$ 6,695,613</u></u>
LIABILITIES AND NET ASSETS		
Payroll liabilities	\$ 5,837	\$ 16,055
Program deposits	398	359
Drive in escrow	8,600	8,600
Funds held for others	77,260	91,961
Mwatasi water project	3,061	2,504
Refundable advances	1,964	7,593
Construction loan	650,000	105,497
Long-term debt	<u>3,300,494</u>	<u>3,553,630</u>
Total liabilities	<u>4,047,614</u>	<u>3,786,199</u>
Net assets:		
Unrestricted	2,113,151	1,909,073
Temporarily restricted	147,093	199,381
Permanently restricted	<u>878,609</u>	<u>800,960</u>
Total net assets	<u>3,138,853</u>	<u>2,909,414</u>
Total liabilities and net assets	<u><u>\$ 7,186,467</u></u>	<u><u>\$ 6,695,613</u></u>

See accountants's review report and notes to financial statements.

TRINITY LUTHERAN CHURCH
 Statements of Activities and Changes in Net Assets - Modified Cash Basis
 For the Years Ended December 31, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions	\$ 1,638,393	\$ 1,017,877	\$ -	\$ 2,656,270
Rental income - church property	27,223	-	-	27,223
Rental income - post office building	22,281	-	-	22,281
Fees and other payments for program activities	206,878	-	-	206,878
Interest income	-	35,008	-	35,008
Miscellaneous income	1,593	-	-	1,593
Unrealized gain/(loss) on investment	-	-	77,649	77,649
Net assets released from restrictions upon expiration of proposed restrictions	1,105,173	(1,105,173)	-	-
Total revenue and support	3,001,541	(52,288)	77,649	3,026,902
EXPENSES:				
Staff salaries and benefits	1,480,497	-	-	1,480,497
General operating expense	273,325	-	-	273,325
Building maintenance expense	36,657	-	-	36,657
Interest expenses and other borrowing costs	192,721	-	-	192,721
Missions and benevolence	359,086	-	-	359,086
Children, youth & family ministries	122,062	-	-	122,062
Lifelong learning ministries	8,191	-	-	8,191
On purpose ministries	2,091	-	-	2,091
Worship and music	33,160	-	-	33,160
Mutual care/small groups	18,495	-	-	18,495
Depreciation expense	271,178	-	-	271,178
Total expenses	2,797,463	-	-	2,797,463
CHANGE IN NET ASSETS	204,078	(52,288)	77,649	229,439
NET ASSETS, BEGINNING OF YEAR	1,909,073	199,381	800,960	2,909,414
NET ASSETS, END OF YEAR	\$ 2,113,151	\$ 147,093	\$ 878,609	\$ 3,138,853

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions	\$ 1,626,229	\$ 639,835	\$ 473,750	\$ 2,739,814
Rental income - church property	31,057	-	-	31,057
Rental income - post office building	20,563	-	-	20,563
Rental income - Croix Center	5,100	-	-	5,100
Fees and other payments for program activities	198,759	-	-	198,759
Interest income	-	18,124	-	18,124
Miscellaneous income	3,519	-	-	3,519
Gain/(loss) on disposed assets	(1,731)	-	-	(1,731)
Unrealized gain/(loss) on investment	-	-	(34,807)	(34,807)
Net assets released from restrictions upon expiration of proposed restrictions	757,371	(757,371)	-	-
Total revenue and support	<u>2,640,867</u>	<u>(99,412)</u>	<u>438,943</u>	<u>2,980,398</u>
EXPENSES:				
Staff salaries and benefits	1,482,903	-	-	1,482,903
General operating expense	289,866	-	-	289,866
Building maintenance expense	9,712	-	-	9,712
Interest expenses and other borrowing costs	202,498	-	-	202,498
Missions and benevolence	357,755	-	-	357,755
Children, youth & family ministries	117,607	-	-	117,607
Lifelong learning ministries	9,897	-	-	9,897
On purpose ministries	2,204	-	-	2,204
Worship and music	35,019	-	-	35,019
Mutual care/small groups	16,149	-	-	16,149
Depreciation expense	255,389	-	-	255,389
Total expenses	<u>2,778,999</u>	<u>-</u>	<u>-</u>	<u>2,778,999</u>
CHANGE IN NET ASSETS	(138,132)	(99,412)	438,943	201,399
NET ASSETS, BEGINNING OF YEAR	<u>2,047,205</u>	<u>298,793</u>	<u>362,017</u>	<u>2,708,015</u>
NET ASSETS, END OF YEAR	<u>\$ 1,909,073</u>	<u>\$ 199,381</u>	<u>\$ 800,960</u>	<u>\$ 2,909,414</u>

See accountants's review report and notes to financial statements.

TRINITY LUTHERAN CHURCH
Statements of Cash Flows - Modified Cash Basis
For the Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES:		
Change in net assets	\$ 229,439	\$ 201,399
Adjustments to reconcile the change in net assets to net cash flows from operating activities:		
Depreciation	271,178	255,389
Unrealized (gain)/loss on investments	(77,649)	34,807
Loss on disposed asset	-	1,731
Changes in operating assets and liabilities:		
Prepaid expenses	(37,212)	(1,533)
Payroll liabilities	(10,218)	7,314
Program deposits	39	(1,326)
Security deposits	-	(920)
Funds held for others	(14,701)	1,895
Mwatasi water project	557	(579)
Refundable advances	(5,629)	4,090
Net cash flows from operating activities	<u>355,804</u>	<u>502,267</u>
INVESTING ACTIVITIES:		
Trinity for Tomorrow work in process	-	(39,292)
Opening Doors work in process	(156,644)	(17,442)
Purchase of endowment fund	-	(473,750)
Construction work in process	105,497	(105,497)
Purchases of property and equipment	(723,122)	(16,118)
Net cash flows from investing activities	<u>(774,269)</u>	<u>(652,099)</u>
FINANCING ACTIVITIES:		
Borrowings on debt	1,179,560	595,497
Payments of debt	(888,193)	(401,603)
Net cash flows from financing activities	<u>291,367</u>	<u>193,894</u>
Net change in cash	(127,098)	44,062
Cash at beginning of year	<u>397,256</u>	<u>353,194</u>
Cash at end of year	<u>\$ 270,158</u>	<u>\$ 397,256</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 192,721	\$ 202,498

See accountants's review report and notes to financial statements.

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE A - ORGANIZATION

Trinity Lutheran Church (the Church) located in Stillwater, Minnesota was organized in 1871. The Church is a constituent of the Evangelical Lutheran Church in America (ELCA). The Church is a nonprofit organization and is dedicated to engaging as many persons as will share its confession of faith in the fellowship of worship, learning, witness, service and support, so that the Word of God may become effective in their lives together and individually. This includes relationships with other Christian fellowships and with social institutions at home and throughout the world. The Church is supported primarily through contributions of the congregation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis, revenues are generally recorded when cash is received and expenses are generally recorded when cash is disbursed. Modifications to the cash basis of accounting include recording:

1. Property and equipment purchased as assets
2. Accumulated depreciation and depreciation expense on property and equipment
3. Liabilities arising from the receipt of borrowed cash
4. Employee FICA and withholding taxes not deposited with the IRS
5. Permanently restricted net assets at fair value

The modified cash basis of accounting does not give affect to account receivables, pledge receivables, inventories, accounts payable, and accrued expenses.

Financial Statement Presentation: Revenues and support are classified on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes

Concentration of Credit Risk: The Church places its cash with one banking institution. At times, the amount on deposit exceeds the insured limit of the institution and exposes the Church to a collection risk. Additionally, the investments in the Endowment Fund Pooled Trust of the ELCA are not insured and consequently expose the Church to a collection risk. The Church has not experienced any losses.

Property and Equipment: The Post Office property purchased in May 1991 is valued at the Church's purchase price. All other property and equipment on hand at November 1, 1995 is valued at the replacement cost on that date. Additions to fixed assets after November 1, 1995 are valued at actual cost if purchased, or fair market value at date of donation for donated property. Valuation of fixed assets at current replacement cost is not in accordance with the modified cash basis of accounting.

Depreciation has been computed on the straight-line basis, beginning with the 1997 financial statements.

Cash: For the purposes of statement of cash flows, the Church considers all short-term debt securities purchased with a maturity of three months or less to be cash.

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Investments: Investments are reported at fair value. Realized and unrealized gains and losses are included in the statement of activities.

Income Taxes: The Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes.

The Church has evaluated for uncertain tax positions and management has expressed there are no uncertain tax positions as of December 31, 2012. Tax returns for the past three years remain open for examination by tax jurisdictions.

Subsequent Events: In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through February 28, 2013, the date the financial statements were issued.

Use of Estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Prepaid Expenses

The Church has recorded prepaid expense which is a departure from the modified cash basis of accounting.

NOTE C - INVESTMENTS

Cost and fair value of investments held for permanently restricted purposes consist of the following:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Endowment Fund				
Pooled Trust - ELCA	\$ 1,028,228	\$ 878,609	\$ 1,028,228	\$ 800,961

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2012	2011	Depreciation Lives
Land	\$ 806,438	\$ 806,438	-
Drive-in	484,784	484,784	-
Church Building	4,040,000	4,040,000	40 years
Croix Center	330,000	330,000	10 years
Post Office Building	127,276	127,276	20 years
Remodeling	1,586,768	873,034	5-25 years
Furniture, fixtures and equipment	1,114,093	1,109,883	2-25 years
Computers	89,113	85,996	5 years
Music equipment	517,658	517,658	5-25 years
Vehicles	26,672	26,672	5 years
	<u>9,122,802</u>	<u>8,401,741</u>	
Less accumulated depreciation	<u>(3,574,271)</u>	<u>(3,305,155)</u>	
Total	<u>\$ 5,548,531</u>	<u>\$ 5,096,586</u>	

NOTE E - LONG-TERM DEBT

Long-term debt consists of the following:

	2012	2011
Mortgage bearing interest at 3.75%, payable in monthly installments of \$15,918 (principal and interest). Matures May 1, 2034. Secured by Church building and land.	\$ 2,809,211	\$ 2,885,230
Line of credit in the amount of \$1,000,000, bearing interest at 5.0%, payable in monthly installments of \$3,694 (principal and interest). Matures January 3, 2014. Secured by Church building and land.	491,283	668,400
	<u>\$ 3,300,494</u>	<u>\$ 3,553,630</u>

Future maturities of long-term debt are as follows:

2013	\$ 87,159
2014	581,767
2015	93,936
2016	97,520
2017	101,240
Thereafter	<u>2,338,872</u>
	<u>\$ 3,300,494</u>

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE F - CONSTRUCTION LOAN

The Church has a construction loan for the purpose of renovating the Croix Center in the amount of \$650,000 of which \$650,000 was outstanding on December 31, 2012. The interest rate was 5.0% as of December 31, 2012, payable in monthly installments for the interest portion. The loan principal is due in full May 18, 2013.

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

During 1997, an Endowment Fund Committee was started by the Church Council. The committee has established policies and procedures for the Endowment Fund. The Endowment Fund is invested in the ELCA Endowment Fund Pooled Trust. Earnings on the Endowment Fund are temporarily restricted for one year after they are earned. The Endowment Fund Committee waived this requirement for \$35,008 and \$18,124 in 2012 and 2011, respectively.

NOTE H - RETIREMENT PLANS

The Church makes monthly contributions to two retirement plans on behalf of benefits eligible employees. Benefits eligible employees are those employees who work 32 hours or more per week. During 2012, retirement contributions for 18 benefits eligible positions were funded at a cost of \$47,579. In 2011, 19 positions were covered at a cost of \$47,949.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following purposes:

	2012	2011
Opening Doors	\$ 127,814	\$ 178,527
Memorials to be Designated	5,326	6,660
Organ Fund	1,043	1,480
Scholarship Fund	5,990	7,137
Fund Raising	5,920	4,577
Other Designated Gifts	1,000	1,000
	<u>\$ 147,093</u>	<u>\$ 199,381</u>

NOTE J - LEASES

Post Office – The Church owns and leases to the United States of America, the building and land for the current Stillwater Post Office. The lease may be renewed at the option of the Government for three five-year terms. The lease is currently in its first five-year period. The lease will expire December 31, 2016 if the Government does not exercise its option for the second five-year period. Rent collected under this lease was \$22,281 and \$20,563 in 2012 and 2011, respectively.

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE J – LEASES (continued)

Future minimum lease payments to be received on operating leases are as follows:

2013	\$ 24,000
2014	24,000
2015	24,000
2016	24,000
Total	<u>\$ 96,000</u>

NOTE K - LEASE COMMITMENTS

The Church leases copiers, rental expenses under these leases totaled \$28,698 in 2012 and \$24,572 in 2011. The copier lease expires April 2016.

The minimum future lease commitments are payable as follows:

2013	\$ 28,698
2014	28,698
2015	28,698
2016	11,958
Total	<u>\$ 98,052</u>

The church also leases a storage unit. Rental expense under this lease totaled \$1,000 and \$2,400 for the years ended December 31, 2012 and 2011, respectively. This lease was on a month-to-month basis with rent of \$200 due monthly and expired May 30, 2012.

NOTE L - PROGRAM SERVICES AND SUPPORTING ACTIVITIES

Program services and supporting activities are summarized below:

	<u>2012</u>	<u>2011</u>
Program services	\$ 2,237,970	\$ 2,223,199
Management and general	<u>559,493</u>	<u>555,800</u>
	<u>\$ 2,797,463</u>	<u>\$ 2,778,999</u>

NOTE M – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Church in estimating the fair value of its financial instruments:

Cash – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices.

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE M – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Long-term debt and line of credit – The carrying amount reported in the statement of financial position approximates fair value because the Organization can obtain similar loans at the same terms.

Fair values of assets measured on a recurring basis at December 31, 2012 and 2011 are as follows:

	Fair Value Measurements at Reporting		
	Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 2)
<u>December 31, 2012</u>	<u>Fair Value</u>		
Cash	\$ 270,158	\$ 270,158	\$ -
Investments	878,609	-	878,609
Long-term debt	3,300,494	3,300,494	-
<u>December 31, 2011</u>			
Cash	\$ 397,256	\$ 397,256	\$ -
Investments	800,961	-	800,961
Long-term debt	3,553,630	3,553,630	-

The fair value hierarchy consists of two levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Church has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

NOTE N – ENDOWMENT

The Church's endowment consists of a fund established for a variety of purposes. As required by authoritative guidance, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Church Council has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. In accordance with UPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE N – ENDOWMENT (continued)

1. All funds shall be used as the donor intended at the time the Church solicited or accepted the gift.
2. Investment portfolio shall provide a long-term growth real (inflation-adjusted) assets.
3. Provide a predictable stream of income to the Church for programs.
4. Follow investment policies of the Church.
5. Other resources of the Church.
6. General economic conditions.

		<u>Permanently Restricted</u>
January 1, 2011	Donor-Restricted Endowment Funds	\$ 362,017
	Donation Received	473,750
	Unrealized Loss	<u>(34,807)</u>
December 31, 2011	Endowment Net Assets	\$ <u>800,960</u>
January 1, 2012	Donor-Restricted Endowment Funds	\$ 800,960
	Unrealized Gain	<u>77,649</u>
December 31, 2012	Endowment Net Assets	\$ <u>878,609</u>

Investments Objectives and Strategies

The Church has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Church Council, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

To achieve these objectives, the Church follows an asset diversification plan, sets performance benchmarks for investment managers, and has established various asset quality and limitation thresholds. The Church expects its endowment, over time, would achieve total returns after all fees to be equal to or exceed an annualized realization rate of 5%. These total returns are expected to meet or exceed the composite performance of the securities markets on a three to five-year basis. Actual returns in any given year may vary from this amount.

TRINITY LUTHERAN CHURCH
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE O – PARTNERSHIP

On April 16, 2010, Trinity Lutheran Church and another entity formed 107 – 3rd, LLC a Minnesota limited liability company, for the purpose of forming a partnership to construct a multi-tenant structure at 107 3rd St. N in Stillwater, the LLC was unfunded. The LLC is currently inactive and will be dissolved in 2013.

Trinity has been a partner with HAF architects for several years on the hoped-for relocation of the U.S. Post Office to 3rd Street. The development did not come to fruition. Possible compensation for HAF's services are currently under discussion. One possible outcome involves the potential sale and purchase of the 3rd Street property from the Church to HAF with some modification in purchase price to account for services rendered. Any potential sale of Trinity real property must be approved by the congregation. The amount of liability, if any, is unknown at this time.



FINANCIAL

REPORT OVERVIEW

TRINITY LUTHERAN CHURCH

Stillwater, Minnesota

The following pages include various reports related to the financial operations of Trinity Lutheran Church for the years 2012 and 2013.

A “Balance Sheet Summary” on page 22 compares assets, liabilities and equity for the years ending 12/31/11 and 12/31/12. It presents more detail than the Balance Sheet included on page 9 of the CPA report.

Trinity’s balance sheet as of Dec. 31, 2012 includes certain non-cash basis adjustments that were recorded to help more clearly state the intended use of Trinity’s “Opening Doors” Capital Appeal funds in 2012. The timing and nature of the adjustments cause a temporary difference with the balance sheet prepared by our auditors.

The “Year-End Summary of Income and Expense,” on page 23, shows budgeted and actual amounts for income and expenses for the year 2012. The Change in Net Assets matches the amount shown as unrestricted change in net assets on page 10 of the CPA report.

Included for your information is a report from the Treasurer on page 24.

The “2013 Ministry Budget” is presented on page 25. The budgets are prepared by our staff and reviewed by the Finance Team and Congregational Council.

The Trinity Congregational Council has approved the proposed budget to be submitted to the congregation for adoption at the Annual Meeting.

BALANCE SHEET SUMMARY

Balance Sheet Summary

<u>ASSETS</u>	<u>12/31/12</u>	<u>12/31/11</u>
Current Assets		
Cash Accounts		
Checking, Money Market & Savings Accounts - General	\$ 38,638	\$ 218,649
Savings Account - Current Year Endowment	3,709	80
Opening Doors Appeal Fund	127,814	0
Investment Account-Trinity Endowment (ELCA Fund)	878,608	800,960
Opening Doors Appeal Receivable	0	105,010
Accounts Receivable/Prepaid Expenses	39,667	2,455
Total Current Assets	\$ 1,088,436	\$ 1,127,154
Fixed Assets		
Land	\$ 1,291,223	\$ 1,291,223
Buildings	6,052,365	5,338,632
Work in Progress	449,502	398,354
Furniture & Fixtures	1,752,540	1,745,215
Passenger Van	26,672	26,672
Accumulated Depreciation	(3,574,271)	(3,305,155)
Total Fixed Assets	\$ 5,998,031	\$ 5,494,941
<u>TOTAL ASSETS</u>	<u>\$ 7,086,467</u>	<u>\$ 6,622,095</u>
<u>LIABILITIES</u>		
Current Liabilities		
General Funds Held For Future Disbursement		
Designated Gift Funds	\$ 144,474	\$ 14,193
Memorial Funds (Not Yet Designated)	5,326	6,690
Temporary Funds		
Misc donations for mission trips & outreach	85,136	94,464
Program funds carried forward from prior year	1,964	7,593
Payables (including payroll liabilities)	14,835	25,014
Operations Cash Flow Line of Credit	387,919	489,873
Endowment Earnings Available: Current Yr & Next Yr	3,709	80
Croix Center Construction Loan	650,000	105,497
Total Current Liabilities	\$ 1,293,363	\$ 743,404
Long Term Liabilities		
Mortgage - Thrivent Financial	2,809,211	2,885,230
Total Long Term Liabilities	\$ 2,809,211	\$ 2,885,230
<u>EQUITY</u>		
Investments - Endowment Fund	\$ 878,608	\$ 800,960
Net Assets	2,192,501	2,047,204
Current Year Change in Net Assets	(87,216)	145,297
Total Equity	\$ 2,983,893	\$ 2,993,461
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 7,086,467</u>	<u>\$ 6,622,095</u>

YEAR-END SUMMARY OF INCOME AND EXPENSE – 2012

	<u>2012 Actual</u>	% of Budget	<u>2012 Budget</u>
<u>Operating Summary:</u>			
OPERATING INCOME:			
Contributions - General	\$ 1,638,390	95%	\$ 1,722,000
Contributions - Restricted	22,550	90%	25,000
Mission Revenue	343,941	106%	325,000
Released from Endowment	35,000	100%	35,000
Rental Income	27,223	72%	38,000
USPS Facility Rent	22,281	97%	23,000
Fees and Payments	193,881	87%	222,000
Misc. Income	1,593	32%	5,000
TOTAL OPERATING INCOME	<u>\$ 2,284,859</u>	95%	<u>\$ 2,395,000</u>
OPERATING EXPENSES:			
All Personnel Expenses	\$ 1,480,498	98%	\$ 1,515,000
Finance, Facilities, Operations	299,558	101%	298,000
Communications	10,423	95%	11,000
Benevolence	25,144	63%	40,000
Missions	333,941	106%	315,000
Children / Youth / Family	122,061	93%	131,000
Lifelong Learning	8,190	51%	16,000
On Purpose	2,090	70%	3,000
Groups and Teams	18,494	71%	26,000
Worship and Music	33,161	107%	31,000
TOTAL OPERATING EXPENSES	<u>\$ 2,333,560</u>	98%	<u>\$ 2,386,000</u>
Operating Surplus or (Deficit)	\$ (48,701)	-541%	\$ 9,000
<u>Capital Summary:</u>			
CAPITAL FUNDS:			
Capital Appeal Funds	422,022	128%	330,000
TOTAL CAPITAL FUNDS	<u>\$ 422,022</u>	128%	<u>\$ 330,000</u>
CAPITAL EXPENSES:			
Mortgage Expense	265,377	96%	\$ 277,000
Capital Appeal Expenses	156,645	-	53,000
Technology Expense	5,117	102%	5,000
Facility Improvements	5,346	134%	4,000
TOTAL CAPITAL EXPENDITURES	<u>\$ 432,485</u>	128%	<u>\$ 339,000</u>
Capital Surplus or (Deficit)	<u>\$ (10,463)</u>	116%	<u>\$ (9,000)</u>
Total Surplus or (Deficit)	<u>\$ (59,164)</u>	-	<u>\$ -</u>
Adjustment to tie to CPA Report: (page __)			
OPERATING INCOME (from above)	\$ 2,284,859		
CAPITAL FUNDS	422,022		
TOTAL INCOME	<u>2,706,881</u>		
less: Loss on Disposal of Fixed Assets	-		
Add: Capital Appeal Fund receivable	105,010		
Timing Diff. - Funds released to Income	189,646		
Adjusted Income	<u>3,001,537</u>		
Total Operating Expenses (from above)	2,333,560		
add: Reclassified Mortgage Interest	192,721		
Depreciation Expense Annual allocation	271,178		
TOTAL EXPENSES	<u>\$ 2,797,459</u>		
CHANGE IN NET ASSETS	\$ 204,078		

2012 Highlights

Trinity finished the year with a \$48,701 operating deficit – less than 2% of our 2012 Operating Budget. Our expense categories were well managed and most were at or well below budgeted levels. Total contribution income for 2012 was 1% over our 2011 income but roughly \$83,000 under budget. Rental income from our main facility was down due to the SPCO strike and other events that tend to be cyclical. Fees and Payments did not meet budget and analyzing that will be an area of concentration moving forward. Capital Appeal funds of \$422,022 covered mortgage expense plus approximately \$100,000 of appeal expense, primarily for design work and consultant fees.

Shift in Fiscal Year

The Finance Team and the Congregational Council are recommending a shift in Trinity's Fiscal Year. The positive effects of this move are significant:

1. Aligning our fiscal year with the natural operating cycle of our programs and activities – by starting our fiscal year September 1, it lines up much better with our program year, which also begins in the fall – more accurate planning can occur, and annual budgets will line up with ministry priorities
2. Scheduling our fiscal year-end so that our largest giving months of the year, November and December, fall early in our fiscal year. If income during those months is less than anticipated, we have eight months to either reduce spending or raise additional income.
3. An alternative year-end helps us with planning and cash management and places year-end work at times less likely to conflict with other important activities.

2013 Forecast

Contribution Income

Based on the pledges received as of the date of publication and forecasting other contribution income, the contribution income forecast for 2013 is \$1,735,000 or a 5.9% increase over 2012 actual.

Mission Revenue and Expense

A larger spread between mission income and expense has been forecast to cover some of the overhead costs of our mission activities.

Rental Income

Rental income from the current “main building” is expected to return to more normal levels. For 2013, a modest forecast has been made for renting the two new retail spaces at the Croix Center. Per the lease agreement with the Postal Service, rent for the Post Office will remain the same as 2012.

Capital Appeal Income and Expense

The 2013 budget does not anticipate any expense related to our aging technology assets. In the next budget cycle, this will have to be addressed.

Non-continuing Personnel Expense

A charge will be taken in 2013 for non-continuing personnel expenses. Some of this expense occurred in 2012 and some in 2013 but the final amount was not known until 2013.

Surplus

We are forecasting an \$85,450 operating surplus in 2013. We will need to build on that surplus in 2014 as we move our mortgage expense into operating and out of reliance on Capital Appeal funds.

Endowment Fund

Since its inception in 1997, Trinity's Endowment Fund has been a very useful addition to the financial resources that make it possible for the many and varied ministries of Trinity to happen. The Endowment Fund is made up of endearing and enduring gifts from dear, departed and living people supporting Trinity. These gifts are invested with the ELCA Endowment Fund and earnings from these gifts are distributed back to Trinity for use in the areas designated by the donors. As of Dec. 31, 2012, the market value of Trinity's Endowment Fund stood at \$878,608. Earnings from the fund of just under \$35,000 were distributed back to Trinity in 2012. The earnings were used to fund Mutual Care, Worship & Music and Children & Youth ministry activities and programs. Thank you to those whose many and generous gifts have made this financial tool a valuable asset for Trinity.

Operating Summary:

OPERATING INCOME:

Contributions - General	\$ 1,735,000
Released from Restricted Funds	20,000
Mission Revenue	355,550
Released from Endowment Fund	35,000
Rental Income	33,000
USPS Facility Rent	24,000
Croix Center Rent	5,000
Fees and Payments	202,000
Misc. Income	-

TOTAL OPERATING INCOME

\$ 2,409,550

OPERATING EXPENSES:

All Personnel Expenses	\$ 1,450,940
Finance, Facilities, Operations	301,110
Communications	10,800
Benevolence	37,000
Missions	335,550
Children / Youth / Family	125,800
Lifelong Learning	12,500
On Purpose	4,200
Groups and Teams	18,050
Worship and Music	28,150

TOTAL OPERATING EXPENSES

\$ 2,324,100

Operating Surplus or (Deficit)

\$ 85,450

Capital Summary:

CAPITAL FUNDS:

Capital Appeal Funds	313,316
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TOTAL CAPITAL FUNDS

\$ 313,316

CAPITAL EXPENSES:

Mortgage Expense	263,316
Capital Appeal Expenses	50,000
Facility Improvements	5,000

TOTAL CAPITAL EXPENDITURES

\$ 318,316

Capital Surplus or (Deficit)

\$ (5,000)

Non-Continuing Personnel Expenses

\$ 53,406

Total Surplus or (Deficit)

\$ 27,044

Report of the Nominating Committee

TRINITY LUTHERAN CHURCH
ANNUAL MEETING

March 17, 2013

Terry Arnesen
Jolene Patterson
Shelia Marie-Untiedt

The Nominating Committee consulted with Council leadership, the Pastor and current staff members in regard to the openings for Congregational Council. Based on these consultations, the committee recommends the following:

For the existing vacancy, we present Eric Olsen for a three-year term.

In addition, the committee recommends the following names to be elected to the 2014 Nominating Committee:

Julie Schmidt
Jolene Patterson
Sheila Marie-Untiedt

Council Election Procedures:

1. Nominees, whether by the committee or from the floor, are expected to be in attendance at the Annual Meeting.
2. Each nominee will be given up to one minute to introduce him/herself, tell why he/she would like to serve on the Council, and give other information including areas of interest, in order to help the voters choose Council members.
3. Nominees, whether by the committee or from the floor, will be expected to have completed the requested information forms ahead of time or, in the case of nominees from the floor, at the meeting.
4. Endorsement speeches or questions of the candidates will not be a part of the Annual Meeting agenda.
5. After all nominated candidates have been identified, a sample ballot will be projected onto a large screen at the front of the sanctuary. The names of all candidates, whether nominated by the committee or from the floor, will be listed alphabetically.
6. A motion to approve the ballot will be made, seconded, and approved.
7. Ballots will be handed out by authorized tellers. The ballots will include pre-printed names of the candidates placed in nomination by the Nominating Committee and blank lines available to write-in names of the candidates nominated from the floor, using the names projected onto the screen as a reference.
8. Voting will be by written ballot.
9. To be elected, a candidate must receive a majority vote of the number of valid ballots cast.
10. In the event a run-off election is required, all candidates not receiving a majority of the votes will be entered on a second and succeeding (if required) ballots. Voting will continue until all council vacancies are filled by candidates elected by a majority (as described in #9).

Sample Ballot

TRINITY LUTHERAN CHURCH

Stillwater, Minnesota

March 17, 2013

NOMINEES FOR CONGREGATIONAL COUNCIL

BALLOT

VOTE FOR (1)

☐ Eric Olsen (3-year term)

Nominated from the floor

☐

SAMPLE

NOMINATING COMMITTEE REPORT

Nominee for Congregational Council

Eric Olsen
324 Maple St. W.
Stillwater, MN

Occupation: Property Manager,
Kingwood Management

**How long have you been a
member of Trinity?** 15 years

Describe your qualifications:

My qualifications for being on the Congregational Council include experience serving on a number of professional committees, organizations and boards throughout my life. In my professional career, I have managed, maintained and leased all types of real estate around the metro area. Real estate management has taught me many skills, including patience, problem solving, and working with a variety of people. I gravitate toward team projects that involve working with other people to problem solve and accomplish goals.

List your involvement at Trinity: As a youth in the church, I was asked to be on a selection committee to hire new youth staff. I was also asked to attend Council meetings and provide my prospective as a student. Since returning to Trinity after college, I have enjoyed mentoring students. I have served as a confirmation small group leader for seven years, which has taken me on many ski trips, 30-hour famines, and weekend retreats as an adult chaperone. I have also led groups of senior high students in a weekly J-Group for many years. I am excited to be embarking on my eighth Mexico Mission trip (three as a student, five as an adult leader) on behalf of Trinity in March.

State briefly why you would like to serve on the Congregational Council: Trinity has been like a second home to me my entire life, and I am excited for an opportunity to show my gratitude by serving on the Council. I am hopeful that my passion for Trinity, combined with my career experiences, will be helpful to shape the ever-changing dynamics of our church's community.



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ANNUAL REPORT OF

TRINITY LUTHERAN CHURCH • STILLWATER, MN

