



Report of the Treasurer

Part One: Work of the Office

Responsibilities

The treasurer of the Evangelical Lutheran Church in America (ELCA) proposes policy and provides for the implementation, within such policies, of the financial, accounting, audit, banking, investment, property, information technology, and building management systems of the churchwide organization. The governing description of the Office of the Treasurer appears in continuing resolutions 15.14.A10. and 15.14.B10. printed in Section XII of the e-binder and *Pre-Assembly Report*.

Budget Development and Unit Accounting Services

The Office of the Treasurer has continued to estimate revenue, recommend spending authorization levels, and advise the Office of the Presiding Bishop regarding contingency planning. Working closely with the Office of the Presiding Bishop and the Mission Advancement unit, this office engages in collaborative efforts to monitor and align resources with anticipated income. Assisted by stabilizing revenue trends, the churchwide organization was able to fully fund commitments in the spending plans for 2011 and 2012.

Building Management

One of the objectives in the 2011–2013 ELCA Churchwide Operational Plan is to reduce energy consumption of churchwide facilities and to be a model within this church for efficient energy usage. A goal was set of 5 percent reduction in energy usage during the biennium. As of December 31, 2012, there was approximately 11 percent in energy savings. The 2011 installation of a new white roof that meets Chicago Energy standards for Leadership in Energy and Environmental Design (LEED) certification is a significant contributor to energy savings. Other energy-saving measures, such as replacing signage and lighting with lower energy usage bulbs, installing lighting control motion sensors in copy and conference rooms, and replacing retiring appliances with energy star rated units, have also helped to achieve desired savings. In 2012, the Lutheran Center received an Energy Star rating, placing the Lutheran Center in a class of buildings that use 35 percent less energy than peer facilities. A year-long project to modernize the elevators that are original to the Lutheran Center will improve the operation and appearance of the elevators as well as provide an anticipated 38 percent reduction in energy usage.

Information Technology

Information Technology is an area for most organizations that carries both a high level of risk and the potential for delivering greater organizational capacity and efficiency. As such, the churchwide organization has dedicated significant time and resources to ensuring that the systems are as secure as possible from external or internal threats to processes and data. This process has included investment in technology and information management and security architecture.

At the same time, the churchwide organization invested in new business and operating systems that will enhance the efficiency and effectiveness of how it carries out ministry through the churchwide expression, while keeping a strategic focus to all purchasing decisions. Information Technology collaborates with all aspects of the organization to facilitate technology-related project selection and prioritization criteria aligned with the ELCA's two churchwide strategic priorities and operational plan, business and communication objectives, and unit strategies. Over the biennium, a number of information technology projects have been or are in the process of being implemented. A summary of initiatives having significant operational and strategic impact are noted in the following paragraphs:

- **Churchwide Assembly mobile application:** Information Technology has worked with the Office of the Secretary to move from the paper binders used by voting members at the Churchwide Assembly to an electronic platform. The team has partnered with Guidebook, a company that specializes in mobile event management software. Utilizing iPads, a customized version of Guidebook software will be introduced at the 2013 Churchwide Assembly.

- **ELCA.org redesign:** In partnership with the Mission Advancement unit, Information Technology is playing an integral role in developing a redesigned *www.ELCA.org* website. Some of the major enhancements include an integrated search engine that will search all content across the site and related sites, interactive maps to display the breadth of the ELCA and its ministries, and a mobile version of the site.
- **Resources.ELCA.org:** In collaboration with the Mission Advancement unit, a new resource distribution e-commerce website was launched. The site offers a single storefront for all types of resources (sale items, free items with member paying shipping and handling, free items where churchwide units pay shipping and handling, and wholesale orders for staff use).
- **Synodical online digital archive:** In collaboration with the Office of the Secretary, an online digital archive system to collect data generated by synods for archival purposes has been created and is being rolled out to synods. This is an initial step to collect synod assembly and synod council minutes and reports and synod constitutions to a central repository. As the churchwide organization begins a project to explore its future data management needs, the learnings from this project will be applied to understand the needs of other church expressions.
- **Internal software/hardware upgrades:** The churchwide organization successfully migrated to a new email system and intranet platform. In accordance with established maintenance and replacement protocols, laptops, desktops, servers, storage, and network infrastructure equipment have also been updated. Mobile technology adoption has increased throughout the organization, enhancing support for deployed staff, meetings and events, and travel-related productivity needs.

Audit

In addition to regular reviews of process efficiencies and controls throughout the churchwide organization, internal audit has provided valuable consultation for new processes and structures created by the 2010 redesign of the churchwide organization. Facilitating assessments of opportunities for adding efficiency and minimizing risk, internal audit provided shared leadership in areas of data security, policy review, and enterprise risk management.

Crowe Horwath LLP provides external audit services for the churchwide organization. It meets twice a year with the ELCA Audit Committee and coordinates with the internal audit function to maximize their audit scope and results. Over the biennium, the audit process resulted in unqualified audit opinions and positive results. No significant control weaknesses were identified.

Accounting

Accounting functions include general accounting, financial reporting, receipts processing, and accounts payable. These teams process all financial transactions for the churchwide organization and produce both internal and external reports. Responsible for accurate, timely depositing and recording of payments to and from the churchwide organization, the receipts processing and accounts payable teams have supported daily operations as well as major events such as the ELCA Youth Gathering and Churchwide Assembly. The general accounting team is responsible for general ledger management and financial reporting functions for general operations, endowment funds, and deferred gifts.

The general accounting, receipts processing, and accounts payable teams have participated in major system implementations, including new gift processing, endowment administration, and deferred gift administration software. In addition to consolidating processes and documenting policies and procedures, efforts have focused on leveraging the functionality of the new systems for business process improvements and enhancing reporting capabilities.

Banking and Investments

Major banking and investment relationships remained consistent throughout the biennium. Harris Bank provides treasury management services for churchwide programs. Partnering with ELCA-related ministries whenever possible, the endowment fund program continues to utilize investment vehicles of the ELCA Board of Pensions, doing business as Portico Benefit Services, and the ELCA Mission Investment Fund. The largest portion of the deferred gift program, the charitable gift annuity pool, is also managed by Portico Benefit Services. Other deferred gifts are managed by unrelated banks and investment companies. The Office of the Treasurer's treasury and asset management team is responsible for recommending policies to the Church Council and monitoring the activities of investment advisors and managers. There have been no significant issues noted regarding investment performance, compliance, or service.

Major Work in 2014–2016

Major work that will be undertaken within the Office of the Treasurer is expected to include:

- **Gift management operations:** In support of existing and new fundraising opportunities, continuing efforts will be made to streamline and standardize gift management operations as well as implement processes to support new fundraising channels.
- **Information security audit/assessment:** This assessment will test for any vulnerabilities and recommend ways for enhancing security. Recommendations will be incorporated into work plans for the next triennium. Results of the audit will be reported to the ELCA Audit Committee.
- **Unified communications:** The churchwide organization's 23-year-old phone system is scheduled to be replaced with a modern system that will integrate email, voice, video, and instant messaging forms of communication across multiple devices.
- **Enterprise risk management:** As part of the churchwide organization's emerging enterprise risk management priority, this office will be documenting existing and creating additional mitigation strategies for risks identified as related to the operations of the Office of the Treasurer.
- **Information and security management:** Acting upon the implementation plan from the churchwide organization's current Information (data) Management Strategy, projects will be prioritized toward fostering improved management, integration, analysis, security, and accessibility to the vast amount of information that the organization creates, retains, and deletes.
- **Integration and systems automation:** Building upon capabilities of the major software systems implemented during 2011–2013, priority will be given to integrating financial processes and technologies, leveraging single points of entry for constituent information, and enhancing data analysis and reporting.

Part Two: 2011 and 2012 Financial Report

Audited Financial Report for Fiscal Years 2011 and 2012

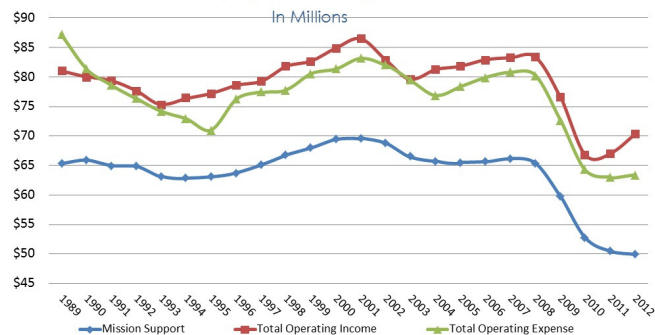
The audited financial statements of the ELCA churchwide organization for the years ended January 31, 2013, and January 31, 2012, are attached as *Appendix A* and *Appendix B* of this report. These statements include the activities of all units and offices of the churchwide organization as well as the ELCA Endowment Fund Pooled Trust. Consolidating statements of the General Operating Funds, Endowment Fund, and Deferred Gift Fund are also provided as supplementary information to the financial statements. Financial statements are prepared by management, audited by Crowe Horwath LLP, and reviewed by the ELCA Audit Committee.

Current Operating Results for 2011 and 2012

Current operating results (reported exclusive of the Endowment Fund and Deferred Gift Funds and non-operational, pre-audit closing entries) for the biennium were positive. After annual decreases in operating revenues of 8 percent (fiscal year 2009) and 13 percent (fiscal year 2010), total operating revenue had moderate increases during the current biennium. Net operating income for the 2011 and 2012 fiscal years amounted to \$4.0 million and \$5.3 million, respectively.

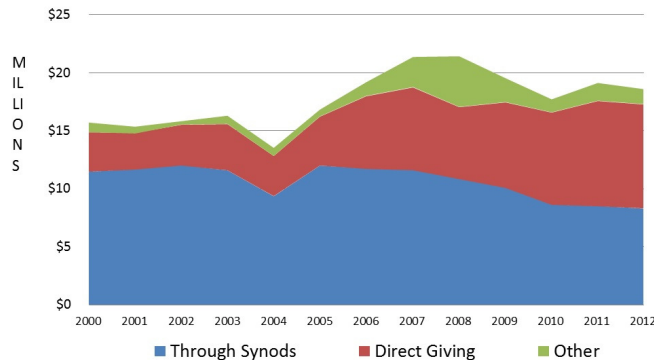
Significant positive income variances resulted from strong results in revenue from bequests and trusts as well as investment income. These positive variances offset moderate decreases in Mission Support income. Income from congregations in the form of Mission Support decreased from \$60 million in 2009 to \$50 million in 2012. The rate of decline in Mission Support has subsided from a high of 12 percent decrease in 2010 to a low of 1 percent decrease in 2012. In 2012, thirty-five synods remitted Mission Support in excess of the previous year. This positive trend reflects stronger congregational benevolence as well as increases in synodical sharing of Mission Support.

Current Fund Income vs. Expense 1989 – 2012



Operating expenses were managed within estimated revenues. Expenses amounted to approximately \$62 million in 2011 and \$63 million in 2012, as compared to \$73 million and \$64 million in 2009 and 2010, respectively. Additionally, positive variances to budget for unrestricted bequests and trust revenue in each of the years were transferred to a Church Council-designated fund in accordance with enabling action from 2010.

World Hunger Revenue By Source Type 2000 – 2012



ELCA World Hunger

Giving to ELCA World Hunger was \$19.1 million in 2011 and \$18.6 million in 2012, exceeding the annual goal of \$18.5 million in each of those years. Additionally, ELCA members contributed approximately \$6.0 million to the ELCA Malaria Campaign during the biennium. Continuing the strong commitment to accompanying communities in times of disaster, over \$3.7 million was raised for Hurricane Sandy Relief in 2012. During the biennium, over \$17.8 million was contributed to the ELCA Disaster Response, including generous gifts for Japan Disaster Relief, U.S. Severe Spring Storms, and Horn of Africa Drought Relief.

Deferred Gifts

As of December 31, 2012, the ELCA's gift annuity pool had 4,471 active annuities with associated segregated assets totaling \$92.0 million. The ELCA issued approximately 245 new gift annuities during the biennium, and more than 695 gift annuities matured during that same time period, with \$9.3 million distributed to ELCA ministries and other charitable organizations.

The churchwide organization administers 389 active charitable remainder trusts and a limited number of pooled income funds with investments totaling approximately \$83.0 million as of December 31, 2012. During 2011 and 2012, approximately \$4.8 million in matured gifts were distributed to ELCA ministries through these programs.

ELCA Endowment Fund

The financial results for the Endowment Fund Pooled Trust are below in Part Three of this report.

Summary

Following a period of significant economic instability and rapidly decreasing financial support, the 2011–2012 biennium showed significant stabilization in Mission Support income and moderate increases in several other income categories. Investment performance also provided healthy growth in the deferred gift and endowment programs.

As we celebrate 25 years of ministry as the ELCA, we are indeed a church that believes God is calling us into the world—together. I give thanks for the continuing generosity and stewardship of ELCA members, synodical leaders, ministry partners, churchwide staff, and governance bodies. Living out our baptismal calling, we are participating in God's work locally, nationally, and globally. Thanks be to God!

Pr. Linda O. Norman, *treasurer*

Part Three: The Endowment Fund of the ELCA

Board of Trustees

Mr. John Bauder, Tampa, Fla. (2016)
Pr. Charles A. Berdahl, Aurora, Colo. (2017)
Ms. Kelly Dean Brende, Kansas City, Mo. (2017)
Ms. Teresa Chow, Hoffman Estates, Ill. (2015)
Mr. David W. Heise, Corinth, Texas (2017)
Ms. Kathleen M. Rehl, Land O'Lakes, Fla. (2013)
Mr. John H. Saeger, *chair*, Lancaster, Pa. (2013)
Mr. James E. Willis, Rockwell City, Iowa (2015)

Staff Leadership

Ms. Christina Jackson-Skelton, *president*
Pr. Linda O. Norman, *treasurer*

Purpose

The Endowment Fund of the Evangelical Lutheran Church in America is a separately incorporated ministry which holds and manages endowment assets of the ELCA churchwide organization and offers pooled investment services for eligible ELCA-related entities. Most of the assets of the Endowment Fund are invested in the Endowment Fund Pooled Trust—Fund A (Fund A), which allows for the collective long-term investment of funds belonging to the ELCA's churchwide organization, Endowment Fund, congregations, synods, seminaries, and other eligible affiliated entities. When organizations invest in Fund A, their endowment assets are pooled into a larger aggregate fund, allowing for a diversity of investments that may not otherwise be available to all ministries. To the extent practicable, investments are made in accordance with the ELCA's guideline for socially responsible investing.

Fund A is administered by the ELCA churchwide organization, primarily through the Mission Advancement unit, Office of the Treasurer, and Office of the Secretary; the ELCA Board of Pensions, doing business as Portico Benefit Services, serves as investment advisor.

Investment Management Structure and Objective

The investment objective of Fund A is to provide participants with a stable, quarterly stream of distributable investment income that grows over time approximately in line with the expected long-term rate of inflation. The distribution rate for 2011 and 2012 was 4.25 percent and is normally less than the anticipated total return of the Fund. To the extent consistent with this objective, Fund A also seeks to provide long-term capital appreciation, while assuming a moderate level of investment risk.

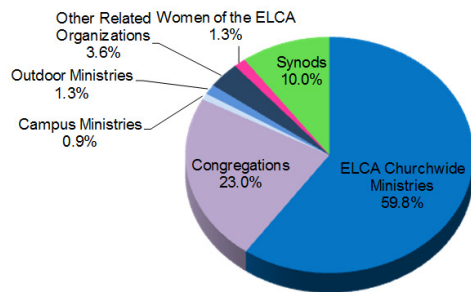
The investment advisor endeavors to achieve these objectives by investing Fund A's assets in a diversified portfolio of investment pools consisting principally of global equities and fixed income securities, selected where feasible in accordance with criteria of social responsibility that are consistent with the values and programs of the ELCA. The current target asset allocation is 35 percent U.S. equity, 25 percent non-U.S. equity, 15 percent investment grade fixed income, 5 percent inflation indexed bonds, 10 percent high yield fixed income, and 10 percent global real estate securities.

Financial Results for 2011 and 2012

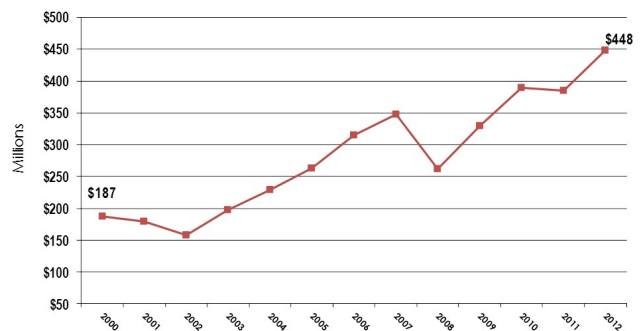
As of December 31, 2012, Fund A held 1,932 individual accounts totaling \$447.7 million. This represents a net increase of 114 accounts and \$58.9 million since December 2010. Of the total, 921 accounts (\$268.0 million) were owned by the ELCA churchwide organization and 1,011 (\$179.7 million) were owned by other investor participants.

Revenue contributed in 2011 and 2012 for unrestricted, temporarily restricted, and permanently restricted endowments owned by the ELCA (including permanently restricted endowments benefitting numerous other ELCA ministry partners) totaled \$38.3 million compared to \$33.3 million for the prior biennium. At December 31, 2012, approximately \$182.3 million of the total net assets of Fund A were to benefit ministries of the ELCA churchwide organization.

2012 Endowment Fund Pooled Trust
Market Value by Participant Category
\$447,660,961



Endowment Fund Pooled Trust
Market Values (2000-2012)



Fund A grew by 67 new investor participants during the biennium, representing approximately \$6.1 million in new investor deposits. Approximately \$16.7 million in net additions were made by existing investor participants, and 29 participants closed accounts totaling \$3.9 million.

Investment returns (gross of fees) were -1.75 percent and 15.48 percent in 2011 and 2012, respectively. Strong investment performance, coupled with growth in gift and participant activity, resulted in an increase of approximately 15 percent in the market value of Fund A over the biennium.

Mr. John H. Saeger, *board chair*
Ms. Christina Jackson-Skelton, *president*
Pr. Linda O. Norman, *treasurer*

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES**

CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2012 and 2011



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES

CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

The Church Council
Evangelical Lutheran Church in America
Churchwide Administrative Offices

We have audited the accompanying consolidated statement of financial position of the Churchwide Administrative Offices of the Evangelical Lutheran Church in America (the Church) as of January 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Church'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 Church's 2011 financial statements; in our report dated June 9, 2011, 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.

As discussed in Note 1, the financial statements being presented are only for the Churchwide Administrative Offices of the Evangelical Lutheran Church in America and do not include the assets, liabilities and net assets, and the revenue and expenses of the entire Evangelical Lutheran Church in America that are recorded in the accounts of the other organizations of the Evangelical Lutheran Church in America. Accordingly, the accompanying financial statements are not intended to present the financial position of the entire Evangelical Lutheran Church in America as of January 31, 2012, or 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Churchwide Administrative Offices of the Evangelical Lutheran Church in America as of January 31, 2012, 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.



Crowe Horwath LLP

Chicago, Illinois
June 6, 2012

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 January 31, 2012, with comparative balances for 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 36,603,581	\$ 19,850,488
Cash and securities held as collateral for securities loaned (Note 18)	19,813,061	37,326,460
Payable under securities loan agreements (Note 18)	(19,813,061)	(37,326,460)
Accounts receivable (Note 2)	9,142,057	10,982,503
Interest receivable	1,084,709	1,298,003
Investments (Note 3)	593,058,035	606,578,144
Prepaid expenses and other assets	9,957,421	9,519,163
Mortgages, notes, and contracts for deed, net (Note 4)	4,405,299	4,753,591
Overseas church construction loans (Note 5)	925,202	1,059,908
Property, furniture, and equipment, net (Note 6)	30,965,889	30,406,190
Beneficial interest in perpetual trusts (Note 3)	<u>15,710,528</u>	<u>16,653,121</u>
 Total assets	 <u>\$ 701,852,721</u>	 <u>\$ 701,101,111</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 5,450,449	\$ 3,614,564
Deferred revenue	9,277,680	1,448,769
Due to related organizations	779,527	1,074,671
Annuities payable (Note 8)	98,186,486	103,938,652
Funds held for others	210,791,095	208,114,583
Note payable (Notes 7 and 12)	213,062	2,385,929
Funds held for others in perpetuity	45,321,990	47,514,958
Other liabilities	<u>2,707,656</u>	<u>930,309</u>
Total liabilities	<u>372,727,945</u>	<u>369,022,435</u>
Net assets		
Unrestricted (Note 19)	72,115,281	74,178,363
Temporarily restricted (Note 20)	104,546,988	109,384,693
Permanently restricted (Note 21)	<u>152,462,507</u>	<u>148,515,620</u>
Total net assets	<u>329,124,776</u>	<u>332,078,676</u>
 Total liabilities and net assets	 <u>\$ 701,852,721</u>	 <u>\$ 701,101,111</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year ended January 31, 2012, with comparative balances for 2011

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue and support					
Contributed support					
Synod mission support (Note 16)	\$ 50,423,159	\$ -	\$ -	\$ 50,423,159	\$ 52,645,913
World Hunger Appeal	-	19,644,240	-	19,644,240	17,466,310
Missionary sponsorship	3,066,305	-	-	3,066,305	3,578,763
Disaster relief	-	9,942,814	-	9,942,814	10,661,230
Vision for Mission	1,381,131	-	-	1,381,131	1,483,844
Deferred gift contributions	-	436,543	484,382	920,925	664,697
Endowment contributions	977,988	4,345,113	3,430,934	8,754,035	9,348,407
Mission Investment Fund	1,500,000	-	-	1,500,000	1,860,000
Women of the ELCA	3,656	26,870	-	30,526	28,793
Bequests, trusts, and residuums	3,295,447	1,084,688	-	4,380,135	4,367,544
Grants—corporate and other	1,000,000	454,000	-	1,454,000	1,699,454
Other gifts	873,743	1,590,039	-	2,463,782	4,131,732
Total contributed revenue	<u>62,521,429</u>	<u>37,524,307</u>	<u>3,915,316</u>	<u>103,961,052</u>	<u>107,936,687</u>
Other revenue					
Region offices' revenue	1,259,942	-	-	1,259,942	1,369,886
Services and other revenue	8,804,955	-	-	8,804,955	8,531,855
Lease income	962,990	-	-	962,990	819,640
Miscellaneous income	46,363	-	(157,659)	(111,296)	53,319
Total other revenue	<u>11,074,250</u>	<u>-</u>	<u>(157,659)</u>	<u>10,916,591</u>	<u>10,774,700</u>
Return on investments					
Dividend and interest income	7,953,172	1,813,806	-	9,766,978	7,792,682
Realized gain	31,525,510	13,676,513	-	45,202,023	9,478,500
Unrealized (loss) gain	(3,127,344)	(28,033,224)	(760,389)	(31,920,957)	15,552,875
Distribution of endowment income and other investing expenses	(35,197,130)	-	-	(35,197,130)	(18,337,227)
Change in fair value of beneficial outside trusts	-	-	(852,188)	(852,188)	1,104,373
Change in value of split interest agreements	-	1,526,494	742,934	2,269,428	(2,061,392)
Total investment related revenue	<u>1,154,208</u>	<u>(11,016,411)</u>	<u>(869,643)</u>	<u>(10,731,846)</u>	<u>13,529,811</u>
Net assets released from restrictions					
Satisfaction of program restrictions (Note 15)	31,641,360	(31,641,360)	-	-	-
Expiration of time restrictions	-	(3,695)	31,215	27,520	-
Income expended from investments held in perpetuity	3,233,859	(3,817,078)	(163,000)	(746,219)	-
Change in donor designation	-	(331,501)	1,190,658	859,157	(156,974)
Net assets released from restrictions	<u>34,875,219</u>	<u>(35,793,634)</u>	<u>1,058,873</u>	<u>140,458</u>	<u>(156,974)</u>
Total operating revenue and support	<u>109,625,106</u>	<u>(9,285,738)</u>	<u>3,946,887</u>	<u>104,286,255</u>	<u>132,084,224</u>
Operating expenses					
Program services					
Congregational and Synodical Mission	36,452,637	-	-	36,452,637	38,506,878
Global Mission	36,831,511	-	-	36,831,511	33,523,147
Mission Advancement	4,040,134	-	-	4,040,134	3,607,882
Church periodicals	2,674,985	-	-	2,674,985	2,864,435
Office of the Presiding Bishop	3,579,279	-	-	3,579,279	4,625,338
Regional Offices' expense	1,165,025	-	-	1,165,025	1,430,942
Retiree's pension expense	12,738	-	-	12,738	(469,910)
Post-retirement health care benefits	2,500,000	-	-	2,500,000	2,500,000
Total program services	<u>87,256,309</u>	<u>-</u>	<u>-</u>	<u>87,256,309</u>	<u>86,588,712</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENTS OF ACTIVITIES
 Year ended January 31, 2012, with comparative balances for 2011

Expenses (Continued)	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Management and general					
Office of the Presiding Bishop	\$ 2,321,466	\$ -	\$ -	\$ 2,321,466	\$ 2,064,760
Office of the Treasurer	5,831,067	-	-	5,831,067	6,803,909
Office of the Secretary	5,338,456	-	-	5,338,456	2,090,737
Mission Advancement	2,166,741	-	-	2,166,741	2,019,575
Total management and general	<u>15,657,730</u>	<u>-</u>	<u>-</u>	<u>15,657,730</u>	<u>12,978,981</u>
Fundraising					
Mission Advancement	4,326,116	-	-	4,326,116	3,476,300
Total fundraising	<u>4,326,116</u>	<u>-</u>	<u>-</u>	<u>4,326,116</u>	<u>3,476,300</u>
Total operating expenses	<u>107,240,155</u>	<u>-</u>	<u>-</u>	<u>107,240,155</u>	<u>103,043,993</u>
Net operating revenue and support less operating expenses	2,384,951	(9,285,738)	3,946,887	(2,953,900)	29,040,231
Non-operating transactions:					
Recovery of accumulated loss on endowment balances (Note 22)	<u>(4,448,033)</u>	<u>4,448,033</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(2,063,082)	(4,837,705)	3,946,887	(2,953,900)	29,040,231
Net assets at beginning of year	<u>74,178,363</u>	<u>109,384,693</u>	<u>148,515,620</u>	<u>332,078,676</u>	<u>303,038,445</u>
Net assets at end of year	<u>\$ 72,115,281</u>	<u>\$ 104,546,988</u>	<u>\$ 152,462,507</u>	<u>\$ 329,124,776</u>	<u>\$ 332,078,676</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 Year ended January 31, 2012, with comparative balances for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ (2,953,900)	\$ 29,040,231
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,132,974	1,937,509
Proceeds from sale of contributed assets	696,252	-
Gain on investments, net	(29,757,205)	(65,596,336)
Acquisition of investments through gifts	(1,793,828)	(1,459,250)
Gifts restricted for long-term investment	(3,430,934)	(3,603,576)
Loss (gain) on beneficial interest in perpetual trusts	942,593	(1,106,423)
Currency exchange loss (gain) on overseas loan	7,560	(81,127)
Increase in allowance on notes	(39,946)	(200,000)
Changes in		
Accounts receivable	1,840,446	1,535,568
Interest receivable	213,294	(102,644)
Prepaid expenses and other assets	(438,258)	(982,251)
Accounts payable	1,835,885	(2,577,052)
Deferred revenue	7,828,911	(284,812)
Due to related organizations	(295,144)	(55,254)
Other liabilities	1,777,347	(203,502)
Funds held for others	2,676,512	31,439,550
Funds held for others in perpetuity	<u>(2,192,968)</u>	<u>7,902,773</u>
Net cash used in operating activities	<u>(20,950,409)</u>	<u>(4,396,596)</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(3,388,925)	(1,957,163)
Issuance of mortgages, notes, and contracts for deed	(1,425)	(2,086,071)
Payments received on mortgages, notes, and contracts for deed	349,717	384,452
Payments received on overseas church construction loans	167,092	106,180
Purchase of investments	(138,570,731)	(154,211,893)
Proceeds from sale of investments	<u>183,641,873</u>	<u>160,928,531</u>
Net cash provided by investing activities	<u>42,197,601</u>	<u>3,164,036</u>
Cash flows from financing activities		
Proceeds from gifts restricted for long-term investment	3,430,934	3,603,576
Annuities payable	(5,752,166)	(1,076,730)
Payments on mortgage payable, notes payable, and capital leases	<u>(2,172,867)</u>	<u>(2,097,123)</u>
Net cash (used in) provided by financing activities	<u>(4,494,099)</u>	<u>429,723</u>
Increase (decrease) in cash and cash equivalents	16,753,093	(802,837)
Cash and cash equivalents at beginning of year	<u>19,850,488</u>	<u>20,653,325</u>
Cash and cash equivalents at end of year	<u>\$ 36,603,581</u>	<u>\$ 19,850,488</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 53,030	\$ 138,048
Gifts of investments	1,793,828	1,459,250

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Evangelical Lutheran Church in America (the ELCA) is a Minnesota nonprofit corporation that functions interdependently with the congregations and synods of the ELCA. The ELCA serves on behalf of and in support of the ELCA's members, congregations, and synods. To fulfill its purpose, the ELCA receives, establishes, and supports congregations and ministries necessary to carry out its mission. The ELCA has constituent Lutheran congregations in 65 synods throughout the United States and the Caribbean. The ELCA's principal source of revenue is contributions.

The ELCA Endowment Fund Pooled Trust (the Trust) was initially established on October 9, 1995, and restated on January 20, 1999, under a Restated Declaration of Trust by and between the ELCA and the Endowment Fund of the Evangelical Lutheran Church in America (the Endowment Fund or the Trustee). The ELCA established the Trust to allow for the collective long-term investment of funds belonging to the ELCA, Endowment Fund, its congregations, synods, seminaries, and other eligible affiliated entities. The Endowment Fund is the trustee of the Trust. The ELCA Foundation, an unincorporated unit of the ELCA, is the administrator of the Trust. The Board of Pensions of the Evangelical Lutheran Church in America (dba Portico Benefit Services), an affiliated and separately incorporated unit of the ELCA, is the investment advisor to the Trust.

The accompanying consolidated financial statements include all administrative and program offices and departments of the Churchwide Administrative Offices of the Evangelical Lutheran Church in America and the ELCA Endowment Fund Pooled Trust (collectively, the Church). These financial statements do not include the accounts of organizations, such as the Board of Pensions, Mission Investment Fund of the Evangelical Lutheran Church in America (Mission Investment Fund), Publishing House of the Evangelical Lutheran Church in America, Lutheran Men in Mission, and Women of the Evangelical Lutheran Church in America, congregations, schools, cemeteries, homes, seminaries, or any other institution owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between them and the Church (e.g., subsidies, loans, and deposits). These organizations may or may not be separate corporations under civil law and may or may not be under the control of the Church; however, each is an operating entity distinct from the Church, maintains separate accounts, carries on its own services and programs, and reports annually to its respective constituency.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. All significant intercompany transactions between the Church and the Trust have been eliminated from the accompanying consolidated financial statements.

To ensure the observance of limitations and restrictions placed on the use of resources available, the Church maintains its financial accounts in accordance with the principles and practices of fund accounting. The financial statements focus on the organization as a whole and present balances and transactions classified based upon the existence or absence of donor-imposed restrictions. Net assets, revenue, contributed support, expenses, gains, and losses have been classified into three net asset classes based on these donor-imposed restrictions. A description of each net asset class follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions including the carrying value of all property, furniture, and equipment. Items that affect this category of net assets include unrestricted contributions and bequests, restricted contributions and bequests whose donor-imposed restrictions were met during the fiscal year and investment income whose use is unrestricted, as well as all expenses incurred in connection with the operations of the Church. Consistent with past policy, certain temporarily restricted contributions are classified as unrestricted because they are fully expended in the current year. Certain funds, generally set aside by church council action, function as endowments and are included in unrestricted net assets.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted - Net assets subject to donor-imposed restrictions that will be met either by actions of the Church or the passage of time. Items in this net asset category are restricted contributions, bequests, and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified when such restrictions are met or when time restrictions have expired.

Permanently Restricted - Net assets that are subject to donor-imposed restrictions which require them to be maintained permanently by the Church. Items in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity and only the income be made available for unrestricted or restricted purposes (primarily gifts for endowments and gifts solicited by the Church that will fund perpetual endowments).

Summarized Comparative 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended January 31, 2011.

Cash and Cash Equivalents: Cash and cash equivalents include investments in money market accounts, commercial paper, and other short-term investments with original maturities of three months or less from the date of purchase. The Church maintains cash balances at several financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.

Beneficial Interest in Perpetual Trusts Administrated by Outside Organizations:

Trusts in Perpetuity – The Church has been granted a beneficial interest in various irrevocable trust accounts created under wills or deeds of trust. These trust accounts are administered and held by outside trustees. The Church records the fair value of the beneficial interest as a receivable and as revenue when documentation of the beneficial interest is received. Annual distributions of income from these trusts are recorded directly by the Church divisions which benefit from this interest.

Charitable Remainder Trusts – A charitable remainder trust is an arrangement with an outside organization in which the donor establishes and funds a trust and stipulates that specific distributions be made to a designated beneficiary or beneficiaries over the life of the beneficiary(ies), with the remainder to be distributed to the Church upon death of the beneficiary(ies). When notified of the irrevocable interest in the trust, the Church records the fair value of the trust's assets, which represents the net present value of future amounts to be received, as a contribution receivable. Present values are calculated using a risk adjusted discount rate at the date of the trust and life expectancies unless the end dates of the trusts, in number of years, are specified. Each year, the contracts are revalued; the difference is reported as a change in the value of the split-interest agreements. At death and voluntary distribution, the assets received by the Church are recognized at fair value, the contribution receivable is closed, and any remaining difference is reported as a change in the value of split-interest agreements.

Investments and Related Income, Gains, and Losses: Investments are reported at fair value, except for certain investments in real estate, which are reported at cost. Investments carried at fair value consist primarily of stocks, corporate and government obligations, publicly traded real estate securities, mortgage-backed securities, and mutual funds. The cost of securities sold is based on either the specific identification or average-cost method. Investment income, gains and losses, and any investment-related expenses are recorded as changes in unrestricted net assets in the statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due To / Due From: The Church handles transactions including receipts processing, accounts payable and payroll for certain affiliated organizations which are periodically reimbursed by the affiliate. The outstanding balances in these accounts reflect the net amount due to or due from the related organizations.

Property, Furniture, Equipment, and Depreciation: Property, furniture, and equipment are recorded at cost less accumulated depreciation to date. On an ongoing basis, the Church reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. Depreciation is provided over the following useful lives on a straight-line basis:

Office building	50 years
Mission homes and apartments	25 years
Building improvements	20 years
Furniture, fixtures, and equipment	10 years
Computers, software, and related components	3 years

Funds Held for Others: Funds held for others consist of contributions received on behalf of and other resources held for other Lutheran organizations that are separate, nonconsolidated entities. The Church does not have variance powers over these funds.

Deferred Revenue: Deferred revenue consists of funds received relating to subsequent periods. Additionally, the Church also recognizes its remainder interest in the assets received from donors under pooled income fund agreements and life income fund agreements as contribution revenue in the period in which the assets are received from the donor. The difference between the assets recognized and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest.

Vacation Pay: The Church recognizes vacation pay expense when earned by its nonmissionary personnel. The liability for vacation pay of missionary personnel cannot be reasonably estimated, and such amounts are recognized when paid.

Revenue, Expenses, and Contributions: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional contributions are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions received with donor-imposed restrictions are reported as revenue of the temporarily restricted net asset class. Contributions of land, buildings, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

Endowment Pool Unitization: Endowment investments are pooled and managed on the total return concept. When a pool is established, ownership interests are initially assigned through unitization to the pool based on the fair value of the cash and securities placed in the pool by each participant. Current fair value is used to determine the number of units allocated to additional assets placed in the pool and to value withdrawals from the pool.

Income Tax: The Church has received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no significant unrelated business income activities during the years ended January 31, 2012 and 2011.

Uncertainty in Income Taxes: The Church follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

The Church recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Church has no amounts accrued for interest or penalties as of January 31, 2012 and 2011.

Due to its tax-exempt status, the Church is not subject to U.S. federal income tax or state income tax. The Church is no longer subject to examination by U.S. federal or state taxing authorities for years before December 31, 2007. The Church does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A significant estimate is the liability related to annuities payable. Actual results could differ from estimates.

Adoption of New Accounting Standards: The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The objective of the ASU is for an entity to provide additional disclosures relative to changes in credit risk on a disaggregated basis by portfolio segments and classes of financing receivables. The ASU is effective for the Church for the year ending January 31, 2012.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS*. This amendment will be effective for the next fiscal year ending January 31, 2013.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended January 31, 2012 with comparative information for 2011

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2012 and 2011, were \$8,710,509 and \$9,607,733, respectively, relating to synods' contributions for mission support, world hunger appeal, missionary sponsorship, and other programs that have been collected subsequent to year end. Interest is not normally charged on receivables. Management reviews the receivables on an individual basis for collectability and determines whether an allowance is necessary. No allowance for bad debts has been established because management considers all accounts receivable to be collectible.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Investments in pools	\$ 397,857,572	\$ 393,130,256
Direct investments		
Equity securities		
U.S. equity securities	26,122,705	23,072,156
Non-U.S. equity securities	9,868,074	16,730,771
Fixed income securities		
U.S. government obligations	66,854,295	61,844,309
Corporate bonds	84,241,647	96,928,410
Mission Investment Fund	1,634,175	7,494,356
Real estate investments	4,975,268	7,355,286
Other	1,504,299	22,600
	<u>\$ 593,058,035</u>	<u>\$ 606,578,144</u>

Out of the \$593,058,033 and \$606,578,144 of total investments held at January 31, 2012 and 2011, \$555,142,726 and \$570,016,863 are valued at December 31, 2011 and 2010. Such amounts reported as of December 31st are related to the endowment and deferred gift programs. Dividend and interest income are recorded net of investment-related expenses. Investment-related expenses were \$3,981,512 and \$3,467,016 as of January 31, 2012 and 2011, respectively.

The Church is a pass-through entity for investment income related to certain endowment and deferred gift investments managed and distributed by an external financial institution. In relation to these investments, there were realized gains of approximately \$895,200 and \$494,000 on temporarily restricted investments and \$882,100 and \$439,000 on permanently restricted investments for the years ended January 31, 2012 and 2011, respectively, with offsetting increases in certain liabilities reported. Investment return shown above is net of such pass-through gains and losses.

Also, unrealized gains of approximately \$772,300 and \$6,066,600 on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2012 and 2011, respectively.

Investments are reported at fair value except for certain investments in real estate which are reported at cost. Investments carried at fair value consist primarily of stocks, corporate and government obligations, publicly traded real estate securities, mortgage-backed securities, mutual funds and investments in pools.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Fair value is the price that would be received for an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Investments that have readily determinable market values are determined using quoted market prices. Fair values of investments for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, appraisals, or pricing models utilizing market-observable inputs from comparable securities.

The fair value hierarchy is based on maximizing observable inputs and minimizing unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets in active markets that the Church has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Church's own assumptions that the market participants would use in pricing an asset.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investment in Pools: The Church's pooled investments are invested in the investment pools of Portico Benefit Services. The fair value of each of the Church's portfolios is measured using a unitization method, with values differing according to the underlying securities of each pool. Security prices are based on quotes that are obtained from an independent pricing service. Fair values of securities for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs from comparable securities. This total fair value is divided by the total number of units in the pool to determine the per-share value that is assigned to the Trust's units. (Level 2 inputs – market approach).

Direct Investments: The Church's direct investments which are reported at fair value are valued using the following inputs and valuation techniques:

Equity securities: The Church's equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets (Level 1 inputs). Also included in equity securities is an investment that the Church holds at cost, which management believes approximates fair value. Audited financial statements are obtained on an annual basis, and the investment is reviewed for impairment. The investment is in a cooperative society that offers loans or investment capital for microfinance institutions, cooperatives and small and medium-sized enterprises in developing countries (Level 2 inputs – income approach).

Fixed income securities: Fair values of U.S. Government securities reflect closing prices reported in the active markets in which the securities are traded (Level 1 inputs). Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs – market approach).

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended January 31, 2012 with comparative information for 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Mission Investment Fund: Demand accounts are estimated to approximate deposit-account balances. Term certificates are estimated to approximate principal amounts plus capitalized interest as of the reporting date. No discounts for credit quality or liquidity were determined to be applicable. Term certificates have varying maturity dates, may be redeemed prior to maturity at the discretion of the Mission Investment Fund, and are subject to an early redemption penalty. (Level 2 inputs – income approach).

Beneficial Interests in Trusts: The fair value of beneficial interests in trusts is determined based upon the Church's proportional interest in the fair value of the underlying trust assets. The underlying trust assets are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. This valuation method has been estimated to represent the present value of future distributed income. The liquidation of these assets is contingent upon circumstances that are out of the Church's control and cannot be liquidated on a periodic basis (Level 3 inputs).

The following table sets forth, by level within the fair value hierarchy, financial instruments owned, at fair value as of January 31, 2012 and 2011:

	2012			
	Level 1	Level 2	Level 3	Total
Investments in pools	\$ -	\$ 397,857,572	\$ -	\$ 397,857,572
Direct investments				
Equity securities				
U.S. equity securities	25,852,991	269,714	-	26,122,705
Non-U.S. equity securities	8,941,858	926,216	-	9,868,074
Fixed income securities				
U.S. government obligations	66,854,295	-	-	66,854,295
Corporate bonds	-	84,241,647	-	84,241,647
Mission Investment Fund	37,700	1,596,475	-	1,634,175
Other	46,445	1,457,854	-	1,504,299
Investments held at fair value	<u>\$ 101,733,289</u>	<u>\$ 486,349,478</u>	<u>\$ -</u>	<u>588,082,767</u>
Physical real estate held at cost*				<u>4,975,268</u>
Total investments				<u>\$ 593,058,035</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,710,528</u>	<u>\$ 15,710,528</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in pools	\$ -	\$ 393,130,256	\$ -	\$ 393,130,256
Direct investments				
Equity securities				
U.S. equity securities	22,802,444	269,712	-	23,072,156
Non-U.S. equity securities	15,804,283	926,488	-	16,730,771
Fixed income securities				
U.S. government obligations	61,844,309	-	-	61,844,309
Corporate bonds	-	96,928,410	-	96,928,410
Mission Investment Fund	-	7,494,356	-	7,494,356
Other	-	22,600	-	22,600
Investments held at fair value	<u>\$ 100,451,036</u>	<u>\$ 498,771,822</u>	<u>\$ -</u>	<u>599,222,858</u>
Physical real estate held at cost*				<u>7,355,286</u>
Total investments				<u>\$ 606,578,144</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,653,121</u>	<u>\$ 16,653,121</u>

*Physical real estate investments, comprised of land and building held by the Church at cost, were \$4,975,268 and \$7,355,286 as of January 31, 2012 and 2011, respectively, and were not included in the fair value tables above.

The table below rolls forward balances for Level 3 beneficial interest in trusts from February 1, 2010, through January 31, 2012:

Balance as of February 1, 2010	\$ 15,546,698
Unrealized gains	
Funds held for others	2,050
Permanently restricted	<u>1,104,373</u>
Balance as of February 1, 2011	\$ 16,653,121
Unrealized losses	
Funds held for others	(90,405)
Permanently restricted	<u>(852,188)</u>
Balance as of January 31, 2012	<u>\$ 15,710,528</u>

Unrealized gains/losses recorded in funds held for others in the Statement of Financial Position and change in fair value of beneficial trusts in the Statement of Activities for the year ended January 31, 2011 and 2010, that are still held at January 31, 2012 and 2011, totaled \$(76,187) and \$29,224, respectively.

Assets held at net asset value: The Church participates in certain investment pools that calculate a net asset value (NAV) per share. Accounting requirements necessitate certain disclosures in relation to these investments which are included below.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended January 31, 2012 with comparative information for 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments in pools are allocated to the following asset categories at January 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Investments in pools		
Common stocks	\$ 148,974,151	\$ 198,242,720
Non-U.S. stocks	86,268,550	60,605,144
Government and corporate bonds	63,300,449	73,728,757
Inflation-indexed securities	20,848,774	-
High-yield securities	41,791,912	38,439,930
Real estate investment securities	36,673,736	21,815,723
Other	-	297,982
Total investment pools	<u>\$ 397,857,572</u>	<u>\$ 393,130,256</u>

On the first business day of each month, the Trust may purchase or redeem units in the investment pools based on the pools' prior month-end closing unit prices. Units in these pools are not exchanged and do not have quoted prices in active markets; however, the majority of the underlying securities of the pools have quoted prices in active markets.

Strategies Employed for Achieving Objectives for Pooled Investments: Portico Benefit Services, the Investment Advisor for the Trust and for the Church's charitable gift annuity program, endeavors to achieve long-term return objectives within prudent risk constraints. Investments are selected in accordance with the criteria of social responsibility that is consistent with the values and programs of the Church.

A portion of the Church's charitable gift annuity assets are invested in the Investment Advisor's Social Purpose 40e Fund. The Fund seeks to generate rates of return moderately in excess of the rate of inflation over longer time periods, with a long-term goal of growing the purchasing power of participants in the Fund. The Fund's target asset allocation ranges are 20% to 30% in U.S. equity securities, 20% to 40% in fixed income securities, 5% to 15% in Non-U.S. equity securities, 5% to 15% in high-yield securities, 5% to 15% in real assets, 5% to 15% in inflation indexed bonds, and 0% to 10% in alternative equities.

The Trust's assets are invested in a diversified portfolio that places a greater emphasis on equity-based and fixed-income investments. The Trust's target asset allocation ranges are 30% to 40% in U.S. equity securities, 20% to 30% in Non-U.S. equity securities, 10% to 20% in investment grade fixed income securities, 5% to 15% in high-yield fixed income securities, 5% to 15% in global real estate securities and 0% to 10% in U.S. inflation-indexed securities with the balance in cash and cash equivalents.

The Investment Advisor, at its option, may appoint one or more investment advisors to carry out certain responsibilities with respect to the Trust, including investment advisory responsibilities subject to the approval of the Trustee. The investment advisors as of December 31, 2011 are:

The common stock U.S. equity securities portfolio is invested in the Investment Advisor's Social Purpose U.S. Equity Pool, which is managed by the following investment advisors: State Street Global Advisors (33% to 39%), J.P. Morgan Asset Management (12% to 16%), Los Angeles Capital Management (10% to 14%), Delaware Investments, (13% to 17%), Hotchkis and Wiley (13% to 17%), LSV Asset Management (3% to 5%) and Frontier Capital Management Company, LLC (3% to 5%).

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The Non-U.S. equity securities portfolio is invested in the Investment Advisor's Social Purpose Non-U.S. Equity Pool, which is managed by State Street Global Advisors (33% to 37%), J.P. Morgan Asset Management (23% to 37%), Mondrian Investment Partners (18% to 22%) and Baillie Gifford Overseas Limited (18% to 22%).

The fixed income securities portfolio is invested in the Investment Advisor's Social Purpose Investment Grade Bond Pool, which is managed by: the ELCA Board of Pensions, doing business as Portico Investment Management Company (40% to 50%), State Street Global Advisors (30% to 40%) and Pacific Investment Management Company (15% to 25%). The inflation-indexed securities portfolio is invested in the Investment Advisor's Inflation-Indexed Bond Pool, which is managed by State Street Global Advisors.

The high-yield portfolio is invested in the Investment Advisor's Social Purpose High Yield Pool, which is managed by two investment managers: Shenkman Capital Management, Inc. and T. Rowe Price Associates, Inc. The expected allocation to each of the managers will range from approximately 45% to 55% of the high-yield pool.

The global real estate securities portfolio is invested in the Investment Advisor's Global Real Estate Pool which consists of a diversified portfolio of U.S. and non-U.S. equity real estate securities, which include the stock of Real Estate Investment Trusts (REITs), investment builders, residential builders, developers, or other companies engaged in various aspects of real estate business or which hold significant real estate assets. The global real estate securities pool is managed by Cohen and Steers Capital Management, Inc.

BNY Mellon Cash Investment Strategies (BNY Mellon) is responsible for managing a short-term cash portfolio to be invested in short-term debt securities of government, corporate and structured asset issuers with a significant portion invested in repurchase agreements. The Investment Advisor anticipates that BNY Mellon will manage substantially all of the cash and cash equivalents of the Trust's investments. At December 31, 2011 and 2010, BNY Mellon managed 100% of the cash and cash equivalents, excluding operating accounts.

NOTE 4 - MORTGAGES, NOTES, AND CONTRACTS FOR DEED

Mortgages, notes, and contracts for deed as of January 31, 2012 and 2011, are summarized as follows:

	<u>Interest Rates</u>	<u>2012</u>	<u>2011</u>
Real estate mortgages held by trusts	5.0%-8.3%	\$ 1,108,469	\$ 1,127,044
Direct loans	0.0%-5.0%	120,000	100,000
Indirect loans	0.0%-5.0%	3,423,704	3,757,477
Partnership support loans to congregations	0.0%-5.0%	21,639	37,583
Less: allowance for doubtful accounts		(268,513)	(268,513)
Total		<u>\$ 4,405,299</u>	<u>\$ 4,753,591</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 4 - MORTGAGES, NOTES, AND CONTRACTS FOR DEED (Continued)

There is one segment and one class in this portfolio.

Real estate mortgages are held by three Charitable Remainder Trusts for which ELCA is the trustee.

Direct loans are made to nonprofit organizations that use the funds for job creation, affordable housing initiatives and economic development activities. The loan amounts are \$50,000 and less.

The Indirect loans are given to Community Development Funding Institutions, an intermediary, who in turn distributes these funds to organizations, profit and not for profit that otherwise would not be able to access funds from a traditional financial institution. The funds are used for; job creation, affordable housing initiatives and in general economic development activities. The loan amounts are \$50,000 and more.

Partnership support loans to Congregations relate to Partnership Support grants, which are given for New Starts and strategic renewal and transformation. Congregations that receive these grants sign a covenant where they agree to return the funds if the congregation leaves the Church.

Concentration of Credit Risk: There are no delinquencies with the mortgage notes held by trusts or direct loans. There are three loans past due for indirect loans for a total of approximately \$570,000 for a period greater than 120 days. The Church uses the specific identification method for the allowance for doubtful accounts, and one item has been fully-allowed for. If a Congregation decides to leave and is not able to pay the full amount received, the Church provides the opportunity for them to repay in installments. At January 31, 2012, the loans to congregations are current and there are no delinquencies.

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS

Overseas church construction loans bear interest at rates ranging from 2% to 5% and mature at various dates through January 1, 2014. The balances of overseas church construction loans outstanding as of January 31, 2012 and 2011, are \$925,202 and \$1,059,908, respectively.

Concentration of Credit Risk: The loan portfolio consists of one segment and one class. ELCA's overseas lending activities are primarily conducted with companion churches. Notes receivable are generally not collateralized with real estate but are secured by the grants from the ELCA. At January 31, 2012, there was \$55,150 past due, all of which were past due for a period greater than 1 year. The full amounts of these loans have been fully-allowed for. The following is a summary of notes by region for years ended January 31:

	<u>2012</u>	<u>2011</u>
Middle East	\$ 205,306	\$ 244,614
Asia/Pacific	403,236	493,639
Latin America/Caribbean	484,550	488,837
Europe	35,271	45,925
	<hr/>	<hr/>
Total Overseas Construction Loans	1,128,363	1,273,015
	<hr/>	<hr/>
Less : Reserve for loan losses	(203,161)	(213,107)
	<hr/>	<hr/>
Net Overseas Construction Loans	\$ 925,202	\$ 1,059,908
	<hr/> <hr/>	<hr/> <hr/>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 6 - PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment are recorded at cost less accumulated depreciation. Details relating to these assets as of January 31, 2012 and 2011, are presented below:

	<u>2012</u>	<u>2011</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	45,191,197	45,298,622
Furniture and equipment	7,910,152	24,577,093
	<u>53,234,349</u>	<u>70,008,715</u>
Less accumulated depreciation	(22,268,460)	(39,602,525)
Totals	<u>\$ 30,965,889</u>	<u>\$ 30,406,190</u>

Depreciation expense for the years ended January 31, 2012 and 2011, was \$2,132,974 and \$1,937,509, respectively.

NOTE 7 - NOTE PAYABLE

Details of the note payable as of January 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Note payable to Mission Investment Fund, refinanced on August 2003, with interest at 4% and monthly payments of principal and interest of \$172,964 until February 2012. The mortgage payable is secured by the Church's office building, which has a net book value of approximately \$13,954,665 at January 31, 2012.	\$ -	\$ 2,023,570
Capital lease obligation (Note 12)	<u>213,062</u>	<u>362,359</u>
Total note payable	<u>\$ 213,062</u>	<u>\$ 2,385,929</u>

Total interest expense for the years ended January 31, 2012 and 2011, was approximately \$53,030 and \$138,048, respectively, which include approximately \$42,727 and \$122,617 of interest on the note payable. This note was paid off in January 2012 and there are no future payments due.

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NOTE 8 - SPLIT-INTEREST AGREEMENTS

Charitable Remainder Trusts: Charitable remainder trusts are arrangements in which the donor establishes and funds a trust with specific distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Obligations to the beneficiaries are limited to the trust's assets. Assets are recorded at fair value when received, and a liability is recorded for the present value of the estimated future payments to the beneficiaries. Present values are calculated using a discount rate based on the risk adjusted rate at the date of the trust and the life expectancies of the beneficiaries. The 2000 mortality tables are used to calculate life expectancies unless a time restriction is specified.

Upon termination of the trust, the remaining assets are given to a combination of the Church, related organizations, and other organizations, with no more than 50% of the remainder going to unrelated organizations. The Church may ultimately have unrestricted use of the assets, or the donor may place permanent or temporary restrictions on their use.

Charitable Gift Annuities: Charitable gift annuities are arrangements between a donor and the Church in which the donor contributes assets to the Church in exchange for a promise by the Church to pay a fixed amount for the life of the donor or other individuals designated by the donor. Due to state insurance regulations, the assets received are held as segregated assets. The annuity liability is a general obligation of the Church. Assets are recognized at fair value on the date of the contribution. An annuity payment liability is recognized for the present value of future cash flows expected to be paid to the donor or to the designated individual. The discount rate is the appropriate risk adjusted rate on the date of the contract. The 2000 mortality tables are used to calculate the life expectancies of the annuity beneficiaries.

At the death of the donor or designated individual, the book value of the contract is distributed to the Church or related organization for unrestricted, temporarily restricted, or permanently restricted use depending upon the donor restrictions.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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 Year ended January 31, 2012 with comparative information for 2011

NOTE 8 - SPLIT-INTEREST AGREEMENTS (Continued)

Pooled Income Funds and Life Income Contracts: Donors contribute assets to an investment pool and are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor or designated beneficiary is paid the actual ordinary income earned on the donor's units. Realized gains or losses are added to each unit's principal. Upon the donor's death, the value of the units is released to the Church or a related organization to be used as specified by the donor.

The contributed assets are recorded at fair value. A contribution is recorded at the fair value of the assets discounted for the estimated time period until the donor's death. The appropriate risk adjusted rate at the date of the contribution is used for the discount rate, and the 2000 mortality tables are used to calculate life expectancies. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future revenue.

A summary of recorded amounts related to these arrangements as of December 31, 2011 and 2010, is as follows:

	2011		2010	
	<u>Deferred Revenue</u>	<u>Annuity Payable</u>	<u>Deferred Revenue</u>	<u>Annuity Payable</u>
Charitable remainder annuity trusts	\$ -	\$ 2,066,495	\$ -	\$ 2,221,775
Charitable remainder unitrusts	-	37,992,152	-	40,741,950
Charitable gift annuities	-	58,127,839	-	60,974,927
Pooled income funds	849,267	-	959,230	-
Life income funds	64,307	-	86,997	-
Life income estates	79,247	-	96,442	-
	<u>\$ 992,821</u>	<u>\$ 98,186,486</u>	<u>\$ 1,142,669</u>	<u>\$ 103,938,652</u>

The summary of recorded amounts listed above is as of December 31, 2011 and 2010, which management believes is not materially different than if the amounts were recorded as of January 31, 2012 and 2011.

Adjustments to the liability to reflect amortization of the discount and changes in actuarial assumptions are recognized in the statement of activities as a change in the value of split-interest agreements in temporarily or permanently restricted net assets based on the donor's restrictions.

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NOTE 9 - RELATED-PARTY TRANSACTIONS

The Church provided accounting and management services to three affiliates at no charge. An estimate of the fair value of these accounting and management services is not readily available.

In addition, the Church also provides building space to three affiliates. The Church is providing unbilled rental of office space to these entities which has an estimated fair value of \$94,000 as of January 31, 2012 and \$133,000 as of January 31, 2011.

The Church does not recognize the economic substance (fair value) of the unbilled services in the financial statements as these are considered by management to be immaterial.

NOTE 10 - DEFINED-CONTRIBUTION PENSION PLAN

Substantially all active employees of the Church are enrolled in the noncontributory defined-contribution pension plan administered by the Board of Pensions. The employer contributions to the plan for the years ended January 31, 2012 and 2011 were \$2,811,648 and \$3,223,224, respectively. All contributions to the plan are funded on a current basis.

NOTE 11 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS

Pension Benefits: The Church has established minimum pension levels, assumed from predecessor church organizations, for certain clergy who retired prior to January 1, 1988. The Church provides funding for these minimum pension benefits to the extent that the reserves maintained by the Board of Pensions are insufficient to fund the plan. During the years ended January 31, 2012 and 2011, the Church made no payments to the Board of Pensions to cover the cost of retirees' pension benefits. Employer contributions to the Pension Plan during the fiscal year ending January 31, 2012, are expected to be zero.

During 2011, \$292,051 was paid in benefits to members and survivors under these plans. Total actuarial liability as of January 31, 2012 was \$1,791,933, and plan assets were \$3,388,454, which resulted in excess plan assets over actuarial liabilities of \$1,513,311. The assumed long-term rate of investment return for minimum and non-contributory benefits was 3.40% at January 31, 2012 and 2011.

Expected future cash flows for minimum and non-contributory pension benefits for the years ending December 31 are as follows:

	Minimum and Non-Contributory Pension Plans
2012	\$ 277,290
2013	247,972
2014	221,031
2015	196,334
2016	173,754
2017-2021	<u>595,874</u>
	<u>\$ 1,712,255</u>

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NOTE 11 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits: The ELCA Board of Pensions (dba Portico Benefit Services) also provides medical contribution subsidies to certain retired members with predecessor church service. These subsidies are expressed as a percentage of the monthly cost for coverage paid by eligible retirees under the Church Medical and Dental Benefits Plan. Subsidies are based on age or a combination of age and service. Approximately 12,400 active or retired members and spouses are eligible or potentially eligible for these subsidies.

These post-retirement medical subsidies are funded through trust funds set aside for that purpose. The trust funds are held and reported by Portico; additional contributions are made by ELCA entities pursuant to a funding understanding with Portico and participating employers. The full actuarial valuation of the obligation is reported on the financial statements of Portico. Portico financial statements at December 31, 2011 and 2010, include the trust assets of \$93,921,000 and \$100,093,000, respectively, as well as Expected Post-Retirement Benefit Obligation (EFBO) as actuarial liabilities of \$167,964,000 and \$176,889,000, respectively.

The Church contributed \$2,500,000 in each of 2011 and 2010 toward the funding of this post-retirement health care benefit, and expects to contribute \$2,500,000 in 2012. During each of 2011 and 2010, other ELCA employers that sponsor employees in the ELCA Pension and Other Benefits Program contributed 0.7% of sponsored members' defined compensation. The contribution rates, including the contribution for retiree support, are set annually by the Board of Trustees of Portico.

NOTE 12 - LEASES

Operating Leases: The Church leases certain office facilities and equipment under various operating leases. The facilities' leases generally provide for renewal options and include escalator clauses based on increases in real estate taxes and operating expenses. Total rent expenses for operating leases were approximately \$358,634 and \$541,388 for the years ended January 31, 2012 and 2011, respectively.

Minimum annual rental commitments under non-cancelable leases for the years ending January 31 are as follows:

	<u>Office Facilities</u>	<u>Office Equipment</u>	<u>Total</u>
2013	\$ 230,021	\$ 26,018	\$ 256,039
2014	225,148	10,905	236,053
2015	231,902	3,652	235,554
2016	238,859	-	238,859
2017	241,345	-	241,345
Thereafter	<u>285,968</u>	<u>-</u>	<u>285,968</u>
Total	<u>\$ 1,453,243</u>	<u>\$ 40,575</u>	<u>\$ 1,493,818</u>

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NOTE 12 - LEASES (Continued)

Capital Lease: The following schedule shows the years of future annual minimum lease payments under capital lease, together with the present value of the net minimum lease payments:

<u>Year ending January 31,</u>	
2013	\$ 159,600
2014	<u>58,923</u>
Total minimum lease payments	218,523
Less: Amounts representing interest	<u>5,461</u>
Present value of net minimum lease payments	<u><u>\$ 213,062</u></u>
The capital leases include the following classes of property:	
Office equipment	\$ 621,666
Less: Accumulated amortization	<u>352,277</u>
	<u><u>\$ 269,389</u></u>

NOTE 13 - COLLECTIONS

The Church's art collections, which were acquired through purchases and contributions, are not recognized as assets on the statement of financial position. The collections represent a wide variety of art mediums: collagraph, etching, intaglio, dry-point engraving, katazome, linocut, oil, serigraph/silk-screen, stained glass, watercolor, and woodcut. The art is intended to share the Gospel visually with many of the pieces having biblical references. Purchases of collection items, if any, are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Contributed collection items, if any, are not reflected on the financial statements. Proceeds from de-accessions or insurance recoveries, if any, are reflected as increases in the appropriate net asset classes.

NOTE 14 - LINE OF CREDIT

At January 31, 2012, the Church had a \$10,000,000 uncommitted line of credit with no termination date. Interest on outstanding borrowings is charged at the greatest of: (i) the bank's prime commercial rate plus 1.0%; (ii) the quoted federal funds rate in the secondary market plus 1.5%; or (iii) one-month LIBOR rate plus 2.0%. There were no borrowings outstanding under the line of credit at January 31, 2012 or 2011, or during the years then ended.

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NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets which were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows during the year ended January 31:

	<u>2012</u>		<u>2011</u>
Satisfaction of program restrictions:			
World Hunger	\$ 18,785,559	\$	19,017,239
Disaster Relief	9,073,033		6,298,911
Global Mission Programs	952,902		1,682,648
Office of the Presiding Bishop	355,059		362,143
Withdrawals from donor-advised funds	-		278,745
Other programs	2,474,807		56,292
Satisfaction of program restrictions	<u>\$ 31,641,360</u>	<u>\$</u>	<u>27,695,978</u>

NOTE 16 - CONCENTRATIONS OF RISK

The Church's primary sources of revenue are contributions from synods. The synod contributions are dependent upon contributions from the membership of congregations of the Church. There are nine regions comprising a total of 65 synods. The following is a summary of the contributions by synods in each of the regions during the years ended January 31:

	<u>2012</u>		<u>2011</u>
Region 1 – Northwest area	\$ 2,064,552	\$	2,104,035
Region 2 – Southwest area	4,254,477		4,351,962
Region 3 – Northwest Midwest area	7,455,678		7,584,426
Region 4 – Southwest Midwest area	4,915,005		5,209,205
Region 5 – Northeast Midwest area	10,525,801		10,886,681
Region 6 – Southeast Midwest area	4,601,107		4,961,212
Region 7 – Northeast area	5,904,529		6,004,847
Region 8 – East area	5,787,882		6,283,873
Region 9 – Southeast area	4,914,128		5,259,672
Total synod mission support	<u>\$ 50,423,159</u>	<u>\$</u>	<u>52,645,913</u>

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NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting rules require the disclosure of the methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value. Changes in assumptions could significantly affect the estimates.

Cash, cash equivalents, and interest receivable: The carrying amount approximates fair value because of the short maturity of these instruments.

Mortgages, notes, contracts for deed: The mortgages, notes, and contracts for deed carrying values approximate fair values based on current interest rates and the present values of the estimated future cash flows.

Overseas church construction loans: The carrying value is recognized as the principal due at January 31, 2012. The carrying value, which approximates fair value, is based on future payments at the nominal interest rate (ranging from 2% to 5%), discounted at the prime rate, at January 31, 2012.

Annuities payable, funds held for others and funds held for others in perpetuity: The carrying value of funds held for others and funds held for others in perpetuity approximates the fair value as the carrying value is calculated as the present value of the estimated future cash flows. The fair value of annuities payable is also calculated as the present value of the estimated future cash flows; however, the fair value is approximately \$117,151,100 versus a carrying value of approximately \$97,612,000

Notes payable: The carrying value approximates the fair value as the carrying value is calculated as the remaining amounts due on these mortgages and notes.

NOTE 18 - SECURITIES LOANED

The Church has an agreement with its investment custodian to lend securities to brokers in exchange for a fee. The security lending agreement specifies that the custodian is responsible for the lending of securities and obtaining adequate collateral from the borrower. The Church receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Church also continues to receive interest or dividends on the securities loaned. The loans are secured by collateral at least equal, at all times, to the fair value of the securities loaned plus accrued interest. Any gain or loss in the fair value of the securities loaned that may occur during the term of the loan will accrue to the benefit of the Church.

At December 31, 2011 and 2010, investment securities with an aggregate fair value of approximately \$20 million and \$37 million, respectively, were loaned to various brokers and are returnable upon demand.

The ELCA earned approximately \$126,600 in fees for the year ended December 31, 2011, and \$146,000 in fees for the year ended December 31, 2010.

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NOTE 19 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at January 31:

	<u>2012</u>	<u>2011</u>
General	\$ 29,479,761	\$ 29,450,264
Funds functioning as endowment (Note 22)	19,865,332	20,288,806
Underwater portion of donor-restricted endowment funds (Note 22)	(7,982,639)	(3,580,968)
Net investment in property, furniture and equipment	<u>30,752,827</u>	<u>28,020,261</u>
	<u>\$ 72,115,281</u>	<u>\$ 74,178,363</u>

NOTE 20 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at January 31:

	<u>2012</u>	<u>2011</u>
Program-restricted:		
Disaster Relief	\$ 19,483,182	\$ 18,391,942
World Hunger	5,500,094	3,844,517
Office of the Presiding Bishop	403,231	613,804
Congregational & Synodical Mission	9,228,687	9,670,038
Global Mission	3,220,836	3,446,634
Mission Advancement	499,825	143,883
Other programs	<u>21,688</u>	<u>185,097</u>
	38,357,543	36,295,915
Time-restricted, expendable in subsequent years	<u>66,189,445</u>	<u>73,088,778</u>
	<u>\$ 104,546,988</u>	<u>\$ 109,384,693</u>

NOTE 21 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

	<u>2012</u>	<u>2011</u>
Investments in perpetuity, the income from which is expendable	\$ 136,787,354	\$ 133,149,735
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	13,648,071	13,181,144
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,027,082</u>	<u>2,184,741</u>
	<u>\$ 152,462,507</u>	<u>\$ 148,515,620</u>

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NOTE 22 - ENDOWMENT FUNDS

Interpretation of Relevant Law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) modernizes the laws governing a not-for-profit organization's investment and management of donor-restricted endowment funds. The Board of Trustees of the Endowment Fund, serving as the body delegated to manage the Church's endowments, has interpreted UPMIFA as allowing, but not requiring, the preservation of the historic dollar value of the original gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church has chosen to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with accounting principles governing not-for-profit organizations subject to an enacted version of UPMIFA, the portions of donor-restricted endowments not classified as permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure. Realized and unrealized gains and losses on all Church permanently restricted endowments are being recognized in temporarily restricted net assets, except for unrealized gains and losses on deferred gifts that will provide proceeds upon death of the annuitant for a permanent endowment.

The Church classifies as temporarily restricted net assets all donor-restricted endowment funds where donor stipulation allows for the release of such funds according to an event or time restriction. In the absence of donor stipulations to the contrary, losses on the investment of such a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that the donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss is recorded as a reduction of unrestricted net assets.

The aggregate amount of funds for which the fair value of the assets held is less than the level required by donor stipulation or law were approximately \$102,123,000 and \$71,752,000 at December 31, 2011 and 2010, respectively. At December 31, 2011, a cumulative loss of approximately \$8,093,000 was reported in unrestricted net assets to re-establish underwater endowment balances in accordance with governing accounting principles. During the current year, approximately \$4,448,000 has been reclassified from unrestricted to temporarily restricted net assets.

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NOTE 22 - ENDOWMENT FUNDS (Continued)

Endowment Spending Policies: Endowment pool distributions are made quarterly at a rate established annually by the Trustee. The distribution rate reflects the Trustee's consideration of the anticipated returns of the Trust and anticipated changes in the purchasing power of the Trust. The rate established for 2011 and 2010 was 4.25%, and is normally less than the anticipated total return of the Trust. The distribution unit value is equal to the average of the unit values on December 31 of the five preceding years multiplied by the annual distribution rate. The Trustee-approved distribution for the year 2012 is 4.25% of the average December 31 unit values of the five preceding years.

Earnings in excess of the distribution rate are allocated among the endowment accounts in proportion to the number of units assigned to each account as undistributed earnings. If the quarterly distribution exceeds the actual dividend, interest, and net realized gains earned in the quarter, the excess is distributed from accumulated undistributed earnings or participant capital. At December 31, 2011, 1,159 of 1,872 accounts had accumulated undistributed earnings compared to 578 of 1,818 at December 31, 2010.

In consideration of donor request or intent, certain donor-restricted endowments are invested through instruments held outside of the Trust. Investment income is distributed or reinvested according to the donor-imposed restriction(s) for the usage of endowment distributions.

Endowment Investment Policies: The Trust's investment objective is to provide a stable stream of investment income with long-term capital appreciation, while assuming a moderate level of investment risk. In accordance with guidelines approved by the Trustee, the Trust's assets are invested in a manner that is intended to produce results that exceed the investment's benchmark by 35 basis points over rolling five-year time periods. Actual returns in any given year may vary from this objective.

The Board of Pensions, serving as the investment advisor to the Trust, endeavors to achieve long-term return objectives within prudent risk constraints by investing the Trust's assets in a diversified portfolio that places a greater emphasis on equity-based and fixed-income investments. Investments are selected in accordance with the criteria of social responsibility that is consistent with the values and programs of the Church. The Trust's target asset allocation ranges are 30% to 40% in U.S. equity securities, 20% to 30% in Non-U.S. equity securities, 10% to 20% in investment grade fixed income securities, 5% to 15% in high-yield fixed income securities, 5% to 15% in global real estate securities and 0% to 10% in U.S. inflation-indexed securities with the balance in cash and cash equivalents. The Investment Advisor, at its option, may appoint one or more investment advisors to carry out certain responsibilities with respect to the Trust, including investment advisory responsibilities subject to the approval of the Trustee.

Certain donor-restricted endowments that are held outside of the Trust are generally invested in term certificates intended to provide interest income and preserve principal amounts while assuming a low level of investment risk.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended January 31, 2012 with comparative information for 2011

NOTE 22 - ENDOWMENT FUNDS (Continued)

Net asset composition by type of endowment fund as of January 31, 2012 and 2011:

	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (7,982,639)	\$ 50,021,961	\$ 136,787,354	\$ 178,826,676
Funds functioning as endowment	<u>19,865,332</u>	<u>-</u>	<u>-</u>	<u>19,865,332</u>
	<u>\$ 11,882,693</u>	<u>\$ 50,021,961</u>	<u>\$ 136,787,354</u>	<u>\$ 198,692,008</u>
	2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (3,580,968)	\$ 58,269,133	\$ 133,149,735	\$ 187,837,900
Funds functioning as endowment	<u>20,288,806</u>	<u>-</u>	<u>-</u>	<u>20,288,806</u>
	<u>\$ 16,707,838</u>	<u>\$ 58,269,133</u>	<u>\$ 133,149,735</u>	<u>\$ 208,126,706</u>

* With the exception of certain investments held by outside trust, Church permanently restricted net assets are based on the historic dollar value of donor-stipulated permanently restricted net assets.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended January 31, 2012 with comparative information for 2011

NOTE 22 - ENDOWMENT FUNDS (Continued)

	Endowment Roll-Forward			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2010	\$ 3,635,869	\$ 50,529,264	\$ 128,733,722	\$ 182,898,855
Investment return:				
Net investment income	6,650,877	110,358	109	6,761,344
Net gain (loss) in fair value (realized and unrealized)	<u>11,042,215</u>	<u>11,578,323</u>	<u>1,104,374</u>	<u>23,724,912</u>
Total investment return	<u>17,693,092</u>	<u>11,688,681</u>	<u>1,104,483</u>	<u>30,486,256</u>
New gifts	7,911,379	5,581,065	3,603,576	17,096,020
Net assets released from restriction	5,215,312	(5,150,259)	(292,046)	(226,993)
Other changes				
Distribution of endowment income	<u>(22,127,432)</u>	-	-	<u>(22,127,432)</u>
Total other changes	<u>(22,127,432)</u>	-	-	<u>(22,127,432)</u>
Recovery of endowment balance	<u>4,379,618</u>	<u>(4,379,618)</u>	-	-
Net assets, January 31, 2011	<u>16,707,838</u>	<u>58,269,133</u>	<u>133,149,735</u>	<u>208,126,706</u>
Cash surrender value of life insurance	-	-	2,184,741	2,184,741
Net assets, January 31, 2011	<u>\$ 16,707,838</u>	<u>\$ 58,269,133</u>	<u>\$ 135,334,476</u>	<u>\$ 210,311,447</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended January 31, 2012 with comparative information for 2011

NOTE 22 - ENDOWMENT FUNDS (Continued)

	Endowment Roll-Forward			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2011	\$ 16,707,838	\$ 58,269,133	\$ 133,149,735	\$ 208,126,706
Investment return:				
Net investment income	5,717,170	1,724,868	-	7,442,038
Net gain (loss) in fair value (realized and unrealized)	<u>28,418,091</u>	<u>(13,932,239)</u>	<u>(852,188)</u>	<u>13,633,664</u>
Total investment return	<u>34,135,261</u>	<u>(12,207,371)</u>	<u>(852,188)</u>	<u>21,075,702</u>
New gifts	977,988	4,345,113	3,430,934	8,754,035
Net assets released from restriction	3,914,532	(4,832,947)	1,058,873	140,458
Other changes				
Distribution of endowment income	<u>(39,404,893)</u>	-	-	<u>(39,404,893)</u>
Total other changes	<u>(39,404,893)</u>	-	-	<u>(39,404,893)</u>
Recovery of endowment balance	<u>(4,448,033)</u>	<u>4,448,033</u>	-	-
Net assets, January 31, 2012	<u>11,882,693</u>	<u>50,021,961</u>	<u>136,787,354</u>	<u>198,692,008</u>
Cash surrender value of life insurance	-	-	2,027,082	2,027,082
Net assets, January 31, 2012	<u>\$ 11,882,693</u>	<u>\$ 50,021,961</u>	<u>\$ 138,814,436</u>	<u>\$ 200,719,090</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended January 31, 2012 with comparative information for 2011

NOTE 23 - CONTINGENCIES

The Church is a party to litigation in various matters arising in the ordinary course of operations. Typically, the Church's insurance carriers are defending these matters. Pending litigation will be vigorously defended and, in the opinion of management, is likely resolved without any material adverse effect upon the financial statements of the Church.

NOTE 24 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2012. Management has performed their analysis through June 6, 2012, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Church Council
Evangelical Lutheran Church in America
Churchwide Administrative Offices

We have audited the consolidated financial statements of the Churchwide Offices of the Evangelical Lutheran Church in America (the Church) as of and for the years ended January 31, 2012 and 2011. In our reports thereon dated June 6, 2012 and June 9, 2011, respectively, we expressed an unqualified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Crowe Horwath LLP

Chicago, Illinois
June 6, 2012

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION BY FUND
 January 31, 2012

	General Operating and Other Restricted Funds	Endowment Funds	Deferred Gift Funds	Total
ASSETS				
Cash and cash equivalents	\$ 27,451,708	\$ 2,806,046	\$ 6,345,827	\$ 36,603,581
Cash and securities held as collateral for loan	-	-	19,813,061	19,813,061
Payables under securities agreement loan	-	-	(19,813,061)	(19,813,061)
Accounts receivable	8,778,663	-	363,394	9,142,057
Interest receivable	236,691	-	848,018	1,084,709
Investments	37,915,308	386,386,138	168,756,589	593,058,035
Prepaid expenses and other assets	5,287,586	3,609,222	1,060,613	9,957,421
Mortgages, notes, and contracts for deed, net	3,296,831	-	1,108,468	4,405,299
Overseas church construction loans, net	925,202	-	-	925,202
Property, furniture, and equipment, net	30,965,889	-	-	30,965,889
Beneficial interest in perpetual trusts	-	14,507,152	1,203,376	15,710,528
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 114,857,878</u>	<u>\$ 407,308,558</u>	<u>\$ 179,686,285</u>	<u>\$ 701,852,721</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 5,192,955	\$ 206,638	\$ 50,856	\$ 5,450,449
Deferred revenue	7,984,598	300,261	992,821	9,277,680
Due to related organizations	(498,523)	1,130,808	147,242	779,527
Annuities payable	-	-	98,186,486	98,186,486
Funds held for others	78,129	159,629,771	51,083,195	210,791,095
Note payable	213,062	-	-	213,062
Funds held for others in perpetuity	-	45,321,990	-	45,321,990
Other liabilities	2,707,556	-	100	2,707,656
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>15,677,777</u>	<u>206,589,468</u>	<u>150,460,700</u>	<u>372,727,945</u>
Net assets				
Unrestricted	59,367,795	11,882,693	864,793	72,115,281
Temporarily restricted	39,812,306	50,021,961	14,712,721	104,546,988
Permanently restricted	-	138,814,436	13,648,071	152,462,507
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>99,180,101</u>	<u>200,719,090</u>	<u>29,225,585</u>	<u>329,124,776</u>
Total liabilities and net assets	<u>\$ 114,857,878</u>	<u>\$ 407,308,558</u>	<u>\$ 179,686,285</u>	<u>\$ 701,852,721</u>

See accompanying Report of Independent Auditors on Supplementary Information.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED SCHEDULES OF EXPENSES BY OBJECT
 Years ended January 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Financial support - grants	\$ 51,015,477	\$ 46,587,879
Compensation		
Central staff	19,300,542	21,897,836
Missionaries	2,664,104	2,849,071
Employee benefits		
Central staff	8,944,170	10,141,620
Missionaries	1,433,311	1,520,238
Retiree pension expenses	12,738	(469,910)
Postretirement health care benefits	2,500,000	2,500,000
Travel - staff, board, and committees	2,803,597	2,560,779
Special events	3,371,153	1,704,549
Office expenses	936,865	1,119,660
Printing/duplicating	2,904,566	2,967,310
Purchased services	3,578,250	2,501,297
Regional office expenses	1,165,025	1,430,942
Insurance	510,358	521,756
Interest expense	53,030	138,048
Facilities and utilities	2,021,776	2,092,428
Non-capitalized equipment, repairs, and rentals	911,949	761,171
Depreciation	2,132,974	1,937,509
Miscellaneous	<u>980,270</u>	<u>281,810</u>
 Total operating expenses	 <u>107,240,155</u>	 <u>103,043,993</u>
 Investment expense	 1,512,664	 1,187,402
Endowment interest payments and distribution	<u>33,684,466</u>	<u>17,149,825</u>
 Total expenses	 <u>\$ 142,437,285</u>	 <u>\$ 121,381,220</u>

See accompanying Report of Independent Auditors on Supplementary Information.

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES**

CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2013 and 2012



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES

CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

The Church Council
Evangelical Lutheran Church in America
Churchwide Administrative Offices

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Churchwide Administrative Offices of the Evangelical Church in America (the Church), which comprise the consolidated statements of financial position as of January 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Churchwide Administrative Offices of the Evangelical Church in America as of January 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements being presented are only for the Churchwide Administrative Offices of the Evangelical Lutheran Church in America and do not include the assets, liabilities and net assets, and the revenue and expenses of the entire Evangelical Lutheran Church in America that are recorded in the accounts of the other organizations of the Evangelical Lutheran Church in America. Accordingly, the accompanying financial statements are not intended to present the financial position of the entire Evangelical Lutheran Church in America as of January 31, 2013 and 2012, or the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Churchwide Administrative Offices of the Evangelical Church in America's financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.


Crowe Horwath LLP

Chicago, Illinois
June 4, 2013

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 January 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 38,468,608	\$ 36,603,581
Cash and securities held as collateral for securities loaned (Note 17)	-	19,813,061
Payable under securities loan agreements (Note 17)	-	(19,813,061)
Accounts receivable (Note 2)	10,386,066	9,142,057
Interest receivable	928,936	1,084,709
Investments (Note 3)	649,688,840	593,058,035
Prepaid expenses and other assets	11,117,447	9,957,421
Mortgages, notes, and contracts for deed, net (Note 4)	3,856,575	4,405,299
Overseas church construction loans (Note 5)	1,136,013	925,202
Property, furniture, and equipment, net (Note 6)	30,049,860	30,965,889
Beneficial interest in perpetual trusts (Note 3)	16,603,567	15,710,528
	<u> </u>	<u> </u>
Total assets	<u>\$ 762,235,912</u>	<u>\$ 701,852,721</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 3,695,573	\$ 5,450,449
Deferred revenue	3,406,918	9,277,680
Due to related organizations	1,166,737	779,527
Accrued liabilities	2,378,047	2,707,656
Annuities payable (Note 7)	95,842,912	98,186,486
Notes payable (Note 11)	117,339	213,062
Funds held for others	232,955,049	210,791,095
Funds held for others in perpetuity	55,638,655	45,321,990
Total liabilities	<u>395,201,230</u>	<u>372,727,945</u>
 Net assets		
Unrestricted (Note 18)	90,462,544	72,115,281
Temporarily restricted (Note 19)	114,884,967	104,546,988
Permanently restricted (Note 20)	161,687,171	152,462,507
Total net assets	<u>367,034,682</u>	<u>329,124,776</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 762,235,912</u>	<u>\$ 701,852,721</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2013

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue and support					
Contributed support					
Synod mission support (Note 15)	\$ 49,871,823	\$ -	\$ -	\$ 49,871,823	\$ 50,423,159
World Hunger Appeal	-	21,603,010	-	21,603,010	19,644,240
Missionary sponsorship	2,907,059	-	-	2,907,059	3,066,305
Disaster relief	-	7,729,515	-	7,729,515	9,942,814
Vision for Mission	1,387,696	-	-	1,387,696	1,381,131
Deferred gift contributions	-	471,922	684,325	1,156,247	920,925
Endowment contributions	971,601	7,604,480	8,410,888	16,986,969	8,754,035
Mission Investment Fund	1,500,000	-	-	1,500,000	1,500,000
Bequests, trusts, and residuums	5,637,100	859,107	-	6,496,207	4,380,135
Grants—corporate and other	1,000,000	425,000	-	1,425,000	1,454,000
Other gifts	1,169,191	2,225,408	-	3,394,599	2,494,308
Total contributed revenue	<u>64,444,470</u>	<u>40,918,442</u>	<u>9,095,213</u>	<u>114,458,125</u>	<u>103,961,052</u>
Other revenue					
Region offices' revenue	1,288,740	-	-	1,288,740	1,259,942
Services and other revenue	14,965,028	-	-	14,965,028	4,823,443
Lease income	1,453,435	-	-	1,453,435	1,370,890
Miscellaneous income	56,277	-	8,447	64,724	(111,296)
Total other revenue	<u>17,763,480</u>	<u>-</u>	<u>8,447</u>	<u>17,771,927</u>	<u>7,342,979</u>
Return on investments					
Dividend and interest income	16,172,905	566,832	-	16,739,737	13,748,490
Realized gain	10,118,832	1,829,108	-	11,947,940	45,202,023
Distribution of endowment income and other investing expenses	(19,517,901)	-	-	(19,517,901)	(31,920,957)
Unrealized (loss) gain	1,480,436	15,076,614	1,199,505	17,756,555	(34,637,855)
Change in fair value of beneficial outside trusts (Note 3)	-	-	839,229	839,229	(852,188)
Change in value of split interest agreements	-	(2,560,798)	(672,303)	(3,233,101)	2,269,428
Net return on investments	<u>8,254,272</u>	<u>14,911,756</u>	<u>1,366,431</u>	<u>24,532,459</u>	<u>(6,191,059)</u>
Net assets released from restrictions					
Satisfaction of program restrictions (Note 14)	36,987,500	(36,987,500)	-	-	-
Expiration of time restrictions	-	-	(463)	(463)	27,520
Income expended from investments held in perpetuity	3,111,540	(3,111,540)	-	-	(746,219)
Change in donor designation	-	(104,529)	(1,244,964)	(1,349,493)	859,157
Net assets released from restrictions	<u>40,099,040</u>	<u>(40,203,569)</u>	<u>(1,245,427)</u>	<u>(1,349,956)</u>	<u>140,458</u>
Total operating revenue and support	<u>130,561,262</u>	<u>15,626,629</u>	<u>9,224,664</u>	<u>155,412,555</u>	<u>105,253,430</u>
Operating expenses					
Program services					
Congregational and Synodical Mission	42,418,866	-	-	42,418,866	36,108,120
Global Mission	40,097,481	-	-	40,097,481	36,926,186
Mission Advancement	4,292,846	-	-	4,292,846	4,388,188
Church periodicals	2,942,788	-	-	2,942,788	2,851,206
Office of the Presiding Bishop	2,774,375	-	-	2,774,375	2,737,278
Regional Offices' expense	1,168,410	-	-	1,168,410	1,165,025
Retiree's pension expense	(356,261)	-	-	(356,261)	12,738
Post-retirement health care benefits (Note 10)	2,500,000	-	-	2,500,000	2,500,000
Total program services	<u>95,838,505</u>	<u>-</u>	<u>-</u>	<u>95,838,505</u>	<u>86,688,741</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENT OF ACTIVITIES
 Year ended January 31, 2013

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Expenses (Continued)					
Management and general					
Office of the Presiding Bishop	\$ 3,095,092	\$ -	\$ -	\$ 3,095,092	\$ 2,986,088
Office of the Treasurer	7,226,299	-	-	7,226,299	6,501,014
Office of the Secretary	4,106,458	-	-	4,106,458	5,329,869
Mission Advancement	2,838,418	-	-	2,838,418	2,300,161
Total management and general	<u>17,266,267</u>	<u>-</u>	<u>-</u>	<u>17,266,267</u>	<u>17,117,132</u>
Fundraising					
Mission Advancement	4,397,877	-	-	4,397,877	4,401,457
Total fundraising	<u>4,397,877</u>	<u>-</u>	<u>-</u>	<u>4,397,877</u>	<u>4,401,457</u>
Total operating expenses	<u>117,502,649</u>	<u>-</u>	<u>-</u>	<u>117,502,649</u>	<u>108,207,330</u>
Net operating revenue and support less operating expenses	13,058,613	15,626,629	9,224,664	37,909,906	(2,953,900)
Non-operating transactions:					
Transfer to cover accumulated loss on endowment balances (Note 21)	5,288,650	(5,288,650)	-	-	-
Changes in net assets	18,347,263	10,337,979	9,224,664	37,909,906	(2,953,900)
Net assets at beginning of year	<u>72,115,281</u>	<u>104,546,988</u>	<u>152,462,507</u>	<u>329,124,776</u>	<u>332,078,676</u>
Net assets at end of year	<u>\$ 90,462,544</u>	<u>\$114,884,967</u>	<u>\$161,687,171</u>	<u>\$367,034,682</u>	<u>\$329,124,776</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENT OF ACTIVITIES
 Year ended January 31, 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 50,423,159	\$ -	\$ -	\$ 50,423,159
World Hunger Appeal	-	19,644,240	-	19,644,240
Missionary sponsorship	3,066,305	-	-	3,066,305
Disaster relief	-	9,942,814	-	9,942,814
Vision for Mission	1,381,131	-	-	1,381,131
Deferred gift contributions	-	436,543	484,382	920,925
Endowment contributions	977,988	4,345,113	3,430,934	8,754,035
Mission Investment Fund	1,500,000	-	-	1,500,000
Bequests, trusts, and residuums	3,295,447	1,084,688	-	4,380,135
Grants—corporate and other	1,000,000	454,000	-	1,454,000
Other gifts	904,269	1,590,039	-	2,494,308
Total contributed revenue	<u>62,548,299</u>	<u>37,497,437</u>	<u>3,915,316</u>	<u>103,961,052</u>
Other revenue				
Region offices' revenue	1,259,942	-	-	1,259,942
Services and other revenue	4,823,443	-	-	4,823,443
Lease income	1,370,890	-	-	1,370,890
Miscellaneous income	46,363	-	(157,659)	(111,296)
Total other revenue	<u>7,500,638</u>	<u>-</u>	<u>(157,659)</u>	<u>7,342,979</u>
Return on investments				
Dividend and interest income	11,934,684	1,813,806	-	13,748,490
Realized gain	31,525,510	13,676,513	-	45,202,023
Unrealized (loss) gain	(3,127,344)	(28,033,224)	(760,389)	(31,920,957)
Distribution of endowment income and other investing expenses	(34,637,855)	-	-	(34,637,855)
Change in fair value of beneficial outside trusts	-	-	(852,188)	(852,188)
Change in value of split interest agreements	-	1,526,494	742,934	2,269,428
Net return on investments	<u>5,694,995</u>	<u>(11,016,411)</u>	<u>(869,643)</u>	<u>(6,191,059)</u>
Net assets released from restrictions				
Satisfaction of program restrictions (Note 15)	31,641,360	(31,641,360)	-	-
Expiration of time restrictions	-	(3,695)	31,215	27,520
Income expended from investments held in perpetuity	3,233,859	(3,817,078)	(163,000)	(746,219)
Change in donor designation	-	(331,501)	1,190,658	859,157
Net assets released from restrictions	<u>34,875,219</u>	<u>(35,793,634)</u>	<u>1,058,873</u>	<u>140,458</u>
Total operating revenue and support	<u>110,619,151</u>	<u>(9,312,608)</u>	<u>3,946,887</u>	<u>105,253,430</u>
Operating expenses				
Program services				
Congregational and Synodical Mission	36,108,120	-	-	36,108,120
Global Mission	36,926,186	-	-	36,926,186
Mission Advancement	4,388,188	-	-	4,388,188
Church periodicals	2,851,206	-	-	2,851,206
Office of the Presiding Bishop	2,737,278	-	-	2,737,278
Regional Offices' expense	1,165,025	-	-	1,165,025
Retiree's pension expense	12,738	-	-	12,738
Post-retirement health care benefits	2,500,000	-	-	2,500,000
Total program services	<u>86,688,741</u>	<u>-</u>	<u>-</u>	<u>86,688,741</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENT OF ACTIVITIES
 Year ended January 31, 2012

	2012			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 2,986,088	\$ -	\$ -	\$ 2,986,088
Office of the Treasurer	6,501,014	-	-	6,501,014
Office of the Secretary	5,329,869	-	-	5,329,869
Mission Advancement	<u>2,300,161</u>	<u>-</u>	<u>-</u>	<u>2,300,161</u>
Total management and general	<u>17,117,132</u>	<u>-</u>	<u>-</u>	<u>17,117,132</u>
Fundraising				
Mission Advancement	<u>4,401,457</u>	<u>-</u>	<u>-</u>	<u>4,401,457</u>
Total fundraising	<u>4,401,457</u>	<u>-</u>	<u>-</u>	<u>4,401,457</u>
Total operating expenses	<u>108,207,330</u>	<u>-</u>	<u>-</u>	<u>108,207,330</u>
Net operating revenue and support less operating expenses	2,411,821	(9,312,608)	3,946,887	(2,953,900)
Non-operating transactions:				
Recovery of accumulated loss on endowment balances (Note 21)	<u>(4,448,033)</u>	<u>4,448,033</u>	<u>-</u>	<u>-</u>
Change in net assets	(2,036,212)	(4,864,575)	3,946,887	(2,953,900)
Net assets at beginning of year	<u>74,178,363</u>	<u>109,384,693</u>	<u>148,515,620</u>	<u>332,078,676</u>
Net assets at end of year	<u>\$ 72,142,151</u>	<u>\$ 104,520,118</u>	<u>\$ 152,462,507</u>	<u>\$ 329,124,776</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 Years ended January 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 37,909,906	\$ (2,953,900)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,437,573	2,132,974
Proceeds from sale of contributed assets	-	696,252
Gain on investments, net	(75,442,287)	(29,757,205)
Acquisition of investments through gifts	(1,147,902)	(1,793,828)
Gifts restricted for long-term investment	(8,410,888)	(3,430,934)
Loss (gain) on beneficial interest in perpetual trusts	(893,039)	942,593
Currency exchange loss (gain) on overseas loan	(35,891)	7,560
Increase in allowance on notes	(353,161)	(39,946)
Changes in		
Accounts receivable	(1,244,009)	1,840,446
Interest receivable	155,773	213,294
Prepaid expenses and other assets	(1,160,026)	(438,258)
Accounts payable	(1,754,876)	1,835,885
Deferred revenue	(5,870,762)	7,828,911
Due to related organizations	387,210	(295,144)
Accrued liabilities	(329,609)	1,777,347
Funds held for others	22,163,954	2,676,512
Funds held for others in perpetuity	10,316,665	(2,192,968)
Net cash used in operating activities	<u>(23,271,369)</u>	<u>(20,950,409)</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(1,521,544)	(3,388,925)
Issuance of mortgages, notes, and contracts for deed	(39,484)	(1,425)
Payments received on mortgages, notes, and contracts for deed	588,208	349,717
Payments received on overseas church construction loans	178,241	167,092
Purchase of investments	(43,352,244)	(138,570,731)
Proceeds from sale of investments	63,311,628	183,641,873
Net cash provided by investing activities	<u>19,164,805</u>	<u>42,197,601</u>
Cash flows from financing activities		
Proceeds from gifts restricted for long-term investment	8,410,888	3,430,934
Annuities payable	(2,343,574)	(5,752,166)
Payments on mortgage payable, notes payable, and capital leases	(95,723)	(2,172,867)
Net cash (used in) provided by financing activities	<u>5,971,591</u>	<u>(4,494,099)</u>
Increase in cash and cash equivalents	1,865,027	16,753,093
Cash and cash equivalents at beginning of year	<u>36,603,581</u>	<u>19,850,488</u>
Cash and cash equivalents at end of year	<u>\$ 38,468,608</u>	<u>\$ 36,603,581</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 5,033	\$ 53,030
Gifts of investments	1,147,902	1,793,828

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Evangelical Lutheran Church in America (the ELCA) is a Minnesota nonprofit corporation that functions interdependently with the congregations and synods of the ELCA. The ELCA serves on behalf of and in support of the ELCA's members, congregations, and synods. To fulfill its purpose, the ELCA receives, establishes, and supports congregations and ministries necessary to carry out its mission. The ELCA has constituent Lutheran congregations in 65 synods throughout the United States and the Caribbean. The ELCA's principal source of revenue is contributions.

The ELCA Endowment Fund Pooled Trust (the Trust) was initially established on October 9, 1995, and restated on January 20, 1999, under a Restated Declaration of Trust by and between the ELCA and the Endowment Fund of the Evangelical Lutheran Church in America (the Endowment Fund or the Trustee). The ELCA established the Trust to allow for the collective long-term investment of funds belonging to the ELCA, Endowment Fund, its congregations, synods, seminaries, and other eligible affiliated entities. The Endowment Fund is the trustee of the Trust. The ELCA is the administrator of the Trust. The Board of Pensions of the Evangelical Lutheran Church in America (dba Portico Benefit Services), an affiliated and separately incorporated unit of the ELCA, is the investment advisor to the Trust.

The accompanying consolidated financial statements include all administrative and program offices and departments of the Churchwide Administrative Offices of the Evangelical Lutheran Church in America and the ELCA Endowment Fund Pooled Trust (collectively, the Church). These financial statements do not include the accounts of organizations, such as the Board of Pensions, Mission Investment Fund of the Evangelical Lutheran Church in America (Mission Investment Fund), Publishing House of the Evangelical Lutheran Church in America, Lutheran Men in Mission, and Women of the Evangelical Lutheran Church in America, congregations, schools, cemeteries, homes, seminaries, or any other institution owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between them and the Church (e.g., subsidies, loans, and deposits). These organizations may or may not be separate corporations under civil law and may or may not be under the control of the ELCA; however, each is an operating entity distinct from the Church, maintains separate accounts, carries on its own services and programs, and reports annually to its respective constituency.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. All significant intercompany transactions between the Church and the Trust have been eliminated from the accompanying consolidated financial statements.

To ensure the observance of limitations and restrictions placed on the use of resources available, the Church maintains its financial accounts in accordance with the principles and practices of fund accounting. The financial statements focus on the organization as a whole and present balances and transactions classified based upon the existence or absence of donor-imposed restrictions. Net assets, revenue, contributed support, expenses, gains, and losses have been classified into three net asset classes based on these donor-imposed restrictions. A description of each net asset class follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions including the carrying value of all property, furniture, and equipment. Items that affect this category of net assets include unrestricted contributions and bequests, restricted contributions and bequests whose donor-imposed restrictions were met during the fiscal year and investment income whose use is unrestricted, as well as all expenses incurred in connection with the operations of the Church. Consistent with past policy, certain temporarily restricted contributions are classified as unrestricted because they are fully expended in the current year. Certain funds, generally set aside by Church Council action, function as endowments and are included in unrestricted net assets.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted – Net assets subject to donor-imposed restrictions that will be met either by actions of the Church or the passage of time. Items in this net asset category are restricted contributions, bequests, and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified when such restrictions are met or when time restrictions have expired.

Permanently Restricted – Net assets that are subject to donor-imposed restrictions which require them to be maintained permanently by the Church. Items in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity and only the income be made available for unrestricted or restricted purposes (primarily gifts for endowments and gifts solicited by the Church that will fund perpetual endowments).

Cash and Cash Equivalents: Cash and cash equivalents include investments in money market accounts, commercial paper, and other short-term investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents used by the Church in managing its investments are reported in investments. The Church maintains cash balances at several financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.

Beneficial Interest in Perpetual Trusts Administrated by Outside Organizations:

Trusts in Perpetuity – The Church has been granted a beneficial interest in various irrevocable trust accounts created under wills or deeds of trust. These trust accounts are administered and held by outside trustees. The Church records the fair value of the beneficial interest as a receivable and as revenue when documentation of the beneficial interest is received. Annual distributions of income from these trusts are recorded directly by the Church divisions which benefit from this interest.

Charitable Remainder Trusts – A charitable remainder trust is an arrangement with an outside organization in which the donor establishes and funds a trust and stipulates that specific distributions be made to a designated beneficiary or beneficiaries over the life of the beneficiary(ies), with the remainder to be distributed to the Church upon death of the beneficiary(ies). When notified of the irrevocable interest in the trust, the Church records the fair value of the trust's assets, which represents the net present value of future amounts to be received, as a contribution receivable. Present values are calculated using a risk adjusted discount rate at the date of the trust and life expectancies unless the end dates of the trusts, in number of years, are specified. Each year, the contracts are revalued; the difference is reported as a change in the value of the split-interest agreements. At death and voluntary distribution, the assets received by the Church are recognized at fair value, the contribution receivable is closed, and any remaining difference is reported as a change in the value of split-interest agreements.

Investments and Related Income, Gains, and Losses: Investments are reported at fair value, except for certain investments in real estate, which are reported at cost. Investments carried at fair value consist primarily of stocks, corporate and government obligations, publicly traded real estate securities, mortgage-backed securities, and mutual funds. The cost of securities sold is based on either the specific identification or average-cost method. Investment income, gains and losses, and any investment-related expenses are recorded as changes in unrestricted net assets in the statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations.

Due To / Due From: The Church handles transactions including receipts processing, accounts payable and payroll for certain affiliated organizations which are periodically reimbursed by the affiliate. The outstanding balances in these accounts reflect the net amount due to or due from the related organizations.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Furniture, Equipment, and Depreciation: Property, furniture, and equipment are recorded at cost less accumulated depreciation to date. On an ongoing basis, the Church reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. Depreciation is provided over the following useful lives on a straight-line basis:

Office building	50 years
Mission homes and apartments	25 years
Building improvements	20 years
Furniture, fixtures, and equipment	10 years
Computers, software, and related components	3 years

Funds Held for Others: Funds held for others consist of contributions received on behalf of and other resources held for other Lutheran organizations that are separate, nonconsolidated entities. The Church does not have variance powers over these funds.

Deferred Revenue: Deferred revenue consists of funds received relating to subsequent periods. Additionally, the Church also recognizes its remainder interest in the assets received from donors under pooled income fund agreements and life income fund agreements as contribution revenue in the period in which the assets are received from the donor. The difference between the assets recognized and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest.

Vacation Pay: The Church recognizes vacation pay expense when earned by its nonmissionary personnel. The liability for vacation pay of missionary personnel cannot be reasonably estimated, and such amounts are recognized when paid.

Revenue, Expenses, and Contributions: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional contributions are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenue of the temporarily restricted net asset class. Contributions of land, buildings, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Pool Unitization: Endowment investments are pooled and managed on the total return concept. When a pool is established, ownership interests are initially assigned through unitization to the pool based on the fair value of the cash and securities placed in the pool by each participant. Current fair value is used to determine the number of units allocated to additional assets placed in the pool and to value withdrawals from the pool.

Income Tax: The Church has received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no significant unrelated business income activities during the years ended January 31, 2013 and 2012.

Uncertainty in Income Taxes: The ELCA follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

The Church recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Church has no amounts accrued for interest or penalties as of January 31, 2013 and 2012.

Due to its tax-exempt status, the Church is not subject to U.S. federal income tax or state income tax. The Church is no longer subject to examination by U.S. federal or state taxing authorities for years before January 31, 2010. The Church does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A significant estimate is the liability related to annuities payable. Actual results could differ from estimates.

Reclassifications: Certain amounts and footnote disclosures in the financial statements have been revised to conform to the current year presentation.

Adoption of New Accounting Standards: The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2011-09, *Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan*. ASU 2011-09 is intended to address concerns from various users of financial statements on the lack of transparency about an employer's participation in a multiemployer pension plan. Users of financial statements have requested additional disclosure to increase awareness of the commitments and risks involved with participating in multiemployer pension plans. The amendments in this ASU required additional disclosures about the Church's participation in a multiemployer pension plan.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2013 and 2012, were \$10,088,311 and \$8,710,509, respectively, relating to synods' contributions for mission support, world hunger appeal, missionary sponsorship, and other programs that have been collected subsequent to year end. Interest is not normally charged on receivables. Management reviews the receivables on an individual basis for collectability and determines whether an allowance is necessary. No allowance for bad debts has been established because management considers all accounts receivable to be collectible.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2013 and 2012, consist of the following:

	<u>2013</u>	<u>2012</u>
Investments in pools	\$ 461,047,148	\$ 397,857,572
Direct investments		
Equity securities		
U.S. equity securities	28,365,290	26,122,705
Non-U.S. equity securities	12,558,658	9,868,074
Fixed income securities		
U.S. government obligations	54,940,405	66,854,295
Corporate bonds	87,818,412	84,241,647
Mission Investment Fund	1,658,903	1,634,175
Real estate investments (at cost)	1,708,114	4,975,268
Other	<u>1,591,910</u>	<u>1,504,299</u>
	<u>\$ 649,688,840</u>	<u>\$ 593,058,035</u>

Out of the \$649,688,840 and \$593,058,035 of total investments held at January 31, 2013 and 2012, \$611,053,710 and \$555,142,726 are valued at December 31, 2012 and 2011. Such amounts reported as of December 31 are related to the endowment and deferred gift programs. Dividend and interest income are recorded net of investment-related expenses. Investment-related expenses were \$4,160,952 and \$3,981,512 for the years ended January 31, 2013 and 2012, respectively.

The Church is a pass-through entity for investment income related to certain endowment and deferred gift investments managed and distributed by an external financial institution. In relation to these investments, there were realized gains of approximately \$908,000 and \$895,200 on temporarily restricted investments and \$1,105,900 and \$882,100 on permanently restricted investments for the years ended January 31, 2013 and 2012, respectively, with offsetting increases in certain liabilities reported. Investment return shown above is net of such pass-through gains and losses.

Also, unrealized gains/losses of approximately \$4,985,600 and \$(772,300) on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2013 and 2012, respectively.

Investments are reported at fair value except for certain investments in real estate which are reported at cost. Investments carried at fair value consist primarily of stocks, corporate and government obligations, publicly traded real estate securities, mortgage-backed securities, mutual funds and investments in pools.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Fair value is the price that would be received for an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Investments that have readily determinable market values are determined using quoted market prices. Fair values of investments for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, appraisals, or pricing models utilizing market-observable inputs from comparable securities.

The fair value hierarchy is based on maximizing observable inputs and minimizing unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets in active markets that the Church has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Church's own assumptions that the market participants would use in pricing an asset.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Investments in Pools: The Church's pooled investments are invested in the investment pools of Portico Benefit Services. The fair value of each of the Church's portfolios is measured using a unitization method, with values differing according to the underlying securities of each pool. Security prices are based on quotes that are obtained from an independent pricing service. Fair values of securities for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs from comparable securities. This total fair value is divided by the total number of units in the pool to determine the per-share value that is assigned to the Trust's units. (Level 2 inputs – market approach).

Direct Investments: The Church's direct investments which are reported at fair value are valued using the following inputs and valuation techniques:

Equity securities: The Church's equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets (Level 1 inputs). Also included in equity securities is an investment that the Church holds at cost, which management believes approximates fair value. Audited financial statements are obtained on an annual basis, and the investment is reviewed for impairment. The investment is in a cooperative society that offers loans or investment capital for microfinance institutions, cooperatives and small and medium-sized enterprises in developing countries (Level 2 inputs – income approach).

Fixed income securities: Fair values of U.S. Government securities reflect closing prices reported in the active markets in which the securities are traded (Level 1 inputs). Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs – market approach).

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Mission Investment Fund: Demand accounts are estimated to approximate deposit-account balances. Term certificates are estimated to approximate principal amounts plus capitalized interest as of the reporting date. No discounts for credit quality or liquidity were determined to be applicable. Term certificates have varying maturity dates, may be redeemed prior to maturity at the discretion of the Mission Investment Fund, and are subject to an early redemption penalty. (Level 2 inputs – income approach).

Beneficial Interests in Trusts: The fair value of beneficial interests in trusts is determined based upon the Church’s proportional interest in the fair value of the underlying trust assets. The underlying trust assets are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. This valuation method has been estimated to represent the present value of future distributed income. The liquidation of these assets is contingent upon circumstances that are out of the Church’s control and cannot be liquidated on a periodic basis (Level 3 inputs).

The following table sets forth, by level within the fair value hierarchy, financial instruments owned, at fair value as of January 31, 2013 and 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Investments in pools	\$ -	\$ 461,047,148	\$ -	\$ 461,047,148
Direct investments				
Equity securities				
U.S. equity securities	28,095,577	269,713	-	28,365,290
Non-U.S. equity securities	11,632,442	926,216	-	12,558,658
Fixed income securities				
U.S. government obligations	54,940,405	-	-	54,940,405
Corporate bonds	-	87,818,412	-	87,818,412
Mission Investment Fund	-	1,658,903	-	1,658,903
Other	18,531	1,573,379	-	1,591,910
Investments held at fair value	<u>\$ 94,686,955</u>	<u>\$ 553,293,771</u>	<u>\$ -</u>	<u>\$ 647,980,726</u>
Physical real estate held at cost*				1,708,114
Total investments				<u>\$ 649,688,840</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,603,567</u>	<u>\$ 16,603,567</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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 Years ended January 31, 2013 and 2012

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in pools	\$ -	\$ 397,857,572	\$ -	\$ 397,857,572
Direct investments				
Equity securities				
U.S. equity securities	25,852,991	269,714	-	26,122,705
Non-U.S. equity securities	8,941,858	926,216	-	9,868,074
Fixed income securities				
U.S. government obligations	66,854,295	-	-	66,854,295
Corporate bonds	-	84,241,647	-	84,241,647
Mission Investment Fund	-	1,634,175	-	1,634,175
Other	46,445	1,457,854	-	1,504,299
Investments held at fair value	<u>\$ 101,695,589</u>	<u>\$ 486,387,178</u>	<u>\$ -</u>	<u>588,082,767</u>
Physical real estate held at cost*				4,975,268
Total investments				<u>\$ 593,058,035</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,710,528</u>	<u>\$ 15,710,528</u>

* Physical real estate investments, comprised of land and building held by the Church at cost, were \$1,708,114 and \$4,975,268 as of January 31, 2013 and 2012, respectively, and were not included in the fair value tables above.

The table below rolls forward balances for Level 3 beneficial interest in trusts from February 1, 2011, through January 31, 2013:

Balance as of February 1, 2011	\$ 16,653,121
Unrealized losses	
Funds held for others	(90,405)
Permanently restricted	<u>(852,188)</u>
Balance as of February 1, 2012	\$ 15,710,528
Unrealized gains	
Funds held for others	53,810
Permanently restricted	<u>839,229</u>
Balance as of January 31, 2013	<u>\$ 16,603,567</u>

Unrealized gains/losses recorded in funds held for others in the Statement of Financial Position and change in fair value of beneficial trusts in the Statement of Activities for the year ended January 31, 2012 and 2011, that are still held at January 31, 2013 and 2012, totaled \$53,810 and \$90,405, respectively.

Assets held at net asset value: The Church participates in certain investment pools that calculate a net asset value (NAV) per share. Accounting requirements necessitate certain disclosures in relation to these investments which are included below.

(Continued)

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments in pools are allocated to the following asset categories at January 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Investments in pools		
Common stocks	\$ 175,392,227	\$ 148,974,151
Non-U.S. stocks	107,332,200	86,268,550
Government and corporate bonds	65,806,959	63,300,449
Inflation-indexed securities	21,991,105	20,848,774
High-yield securities	44,775,180	41,791,912
Real estate investment securities	45,749,477	36,673,736
Total investment pools	<u>\$ 461,047,148</u>	<u>\$ 397,857,572</u>

On the first business day of each month, the Church may purchase or redeem units in the investment pools based on the pools' prior month-end closing unit prices. Units in these pools are not exchanged and do not have quoted prices in active markets; however, the majority of the underlying securities of the pools have quoted prices in active markets.

Strategies Employed for Achieving Objectives for Pooled Investments: Portico Benefit Services, the Investment Advisor for the Trust and for the Church's charitable gift annuity program, endeavors to achieve long-term return objectives within prudent risk constraints. Investments are selected in accordance with the criteria of social responsibility that is consistent with the values and programs of the Church.

A portion of the Church's charitable gift annuity assets are invested in the Investment Advisor's Social Purpose 40e Fund. The Fund seeks to generate rates of return moderately in excess of the rate of inflation over longer time periods, with a long-term goal of growing the purchasing power of participants in the Fund. The Fund's target asset allocation ranges are 20% to 30% in U.S. equity securities, 25% to 35% in fixed income securities, 5% to 15% in Non-U.S. equity securities, 5% to 15% in high-yield securities, 5% to 15% in real assets, 5% to 15% in inflation indexed bonds, and 0% to 10% in alternative equities.

The Trust's assets are invested in a diversified portfolio that places a greater emphasis on equity-based and fixed-income investments. The Trust's target asset allocation ranges are 30% to 40% in U.S. equity securities, 20% to 30% in Non-U.S. equity securities, 10% to 20% in investment grade fixed income securities, 5% to 15% in high-yield fixed income securities, 5% to 15% in global real estate securities and 0% to 10% in U.S. inflation-indexed securities with the balance in cash and cash equivalents.

The Investment Advisor, at its option, may appoint one or more investment advisors to carry out certain responsibilities with respect to the Trust, including investment advisory responsibilities subject to the approval of the Trustee. The investment advisors as of December 31, 2012 are:

The common stock U.S. equity securities portfolio is invested in the Investment Advisor's Social Purpose U.S. Equity Pool, which is managed by the following investment advisors: State Street Global Advisors (33% to 39%), J.P. Morgan Asset Management (12% to 16%), Los Angeles Capital Management (10% to 14%), Delaware Investments, (13% to 17%), Hotchkis and Wiley (13% to 17%), LSV Asset Management (3% to 5%) and Frontier Capital Management Company, LLC (3% to 5%).

(Continued)

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The Non-U.S. equity securities portfolio is invested in the Investment Advisor's Social Purpose Non-U.S. Equity Pool, which is managed by State Street Global Advisors (28% to 32%); J.P. Morgan Asset Management (11% to 21%); Mondrian Investment Partners (18% to 22%); Baillie Gifford Overseas Limited (18% to 22%); Acadian Asset Management (+/-2% of half of index small cap weight); and T. Rowe Price (+/-2% of half of index small cap weight).

The fixed income securities portfolio is invested in the Investment Advisor's Social Purpose Investment Grade Bond Pool, which is managed by: the ELCA Board of Pensions, doing business as Portico Investment Management Company (40% to 50%); State Street Global Advisors (30% to 40%); and Pacific Investment Management Company (15% to 25%).

The high-yield portfolio is invested in the Investment Advisor's Social Purpose High Yield Pool, which is managed by two investment managers: Shenkman Capital Management, Inc. and T. Rowe Price Associates, Inc. The expected allocation to each of the managers will range from approximately 45% to 55% of the high-yield pool.

The global real estate securities portfolio is invested in the Investment Advisor's Global Real Estate Pool which consists of a diversified portfolio of U.S. and non-U.S. equity real estate securities, which include the stock of Real Estate Investment Trusts (REITs), investment builders, residential builders, developers, or other companies engaged in various aspects of real estate business or which hold significant real estate assets. The global real estate securities pool is managed by Cohen and Steers Capital Management, Inc.

BNY Mellon Cash Investment Strategies (BNY Mellon) is responsible for managing a short-term cash portfolio to be invested in short-term debt securities of government, corporate and structured asset issuers with a significant portion invested in repurchase agreements. The Investment Advisor anticipates that BNY Mellon will manage substantially all of the cash and cash equivalents of the Trust's investments. At December 31, 2012 and 2011, BNY Mellon managed 100% of the cash and cash equivalents, excluding operating accounts.

NOTE 4 - MORTGAGES, NOTES, AND CONTRACTS FOR DEED

Mortgages, notes, and contracts for deed as of January 31, 2013 and 2012, are summarized as follows:

	<u>Interest Rates</u>	<u>2013</u>	<u>2012</u>
Real estate mortgages held by trusts	5.0%-8.3%	\$ 1,088,502	\$ 1,108,469
Direct loans	0.0%-5.0%	50,000	120,000
Indirect loans	0.0%-5.0%	3,239,164	3,423,704
Partnership support loans to congregations	0.0%-5.0%	47,422	21,639
Less: allowance for doubtful accounts		<u>(568,513)</u>	<u>(268,513)</u>
Total		<u>\$ 3,856,575</u>	<u>\$ 4,405,299</u>

There is one segment and one class in this portfolio.

(Continued)

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NOTE 4 - MORTGAGES, NOTES, AND CONTRACTS FOR DEED (Continued)

Real estate mortgages are held by three Charitable Remainder Trusts for which ELCA is the trustee.

Direct loans are made to nonprofit organizations that use the funds for job creation, affordable housing initiatives and economic development activities. The loan amounts are \$50,000 and less.

Indirect loans are given to Community Development Funding Institutions, an intermediary, who in turn distributes these funds to organizations, profit and not for profit that otherwise would not be able to access funds from a traditional financial institution. The funds are used for job creation, affordable housing initiatives, and in general economic development activities. The loan amounts are \$50,000 and more.

Partnership support loans to Congregations relate to Partnership Support grants, which are given for New Starts and strategic renewal and transformation. Congregations that receive these grants sign a covenant where they agree to return the funds if the congregation leaves the Church.

Concentration of Credit Risk: There are no delinquencies with the mortgage notes held by trusts, direct loans or congregations as of January 31, 2013. There are four loans past due for indirect loans for a total of approximately \$720,000 for a period greater than 120 days. The Church uses the specific identification method for the allowance for doubtful accounts, and three items has been fully-allowed for. If a Congregation decides to leave and is not able to pay the full amount received, the Church provides the opportunity for them to repay in installments

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS

Overseas church construction loans bear interest at rates ranging from 2% to 5% and mature at various dates through January 1, 2014. The balances of overseas church construction loans outstanding as of January 31, 2013 and 2012 are \$1,136,013 and \$925,202, respectively.

Concentration of Credit Risk: The loan portfolio consists of one segment and one class. ELCA's overseas lending activities are primarily conducted with companion churches. Notes receivable are generally not collateralized with real estate but are secured by the grants from the ELCA. At January 31, 2013 and 2012, there was approximately \$9,000 and \$49,000 past due, all of which were past due for a period greater than 1 year. Management has analyzed the current situation of the past due loan and are of the opinion that it does not warrant an allowance in the current period. The following is a summary of notes by region for year ended January 31:

	<u>2013</u>	<u>2012</u>
Middle East	\$ 187,889	\$ 205,306
Asia/Pacific	323,809	403,236
Latin America/Caribbean	600,230	484,550
Europe	<u>24,085</u>	<u>35,271</u>
Total overseas construction loans	<u>1,136,013</u>	<u>1,128,363</u>
Less : reserve for loan losses	<u>-</u>	<u>(203,161)</u>
Net overseas construction loans	<u>\$ 1,136,013</u>	<u>\$ 925,202</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 6 - PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment are recorded at cost less accumulated depreciation. Details relating to these assets as of January 31, 2013 and 2012 are presented below:

	<u>2013</u>	<u>2012</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	44,862,870	45,191,197
Furniture and equipment	9,399,518	7,910,152
	<u>54,395,388</u>	<u>53,234,349</u>
Less accumulated depreciation	<u>(24,345,528)</u>	<u>(22,268,460)</u>
 Totals	 <u>\$ 30,049,860</u>	 <u>\$ 30,965,889</u>

Depreciation expense for the years ended January 31, 2013 and 2012 was \$2,437,573 and \$2,132,974, respectively.

NOTE 7 - SPLIT-INTEREST AGREEMENTS

Charitable Remainder Trusts: Charitable remainder trusts are arrangements in which the donor establishes and funds a trust with specific distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Obligations to the beneficiaries are limited to the trust's assets. Assets are recorded at fair value when received, and a liability is recorded for the present value of the estimated future payments to the beneficiaries. Present values are calculated using a discount rate based on the risk adjusted rate at the date of the trust and the life expectancies of the beneficiaries. The 2000 mortality tables are used to calculate life expectancies unless a time restriction is specified.

Upon termination of the trust, the remaining assets are given to a combination of the Church, related organizations, and other organizations, with no more than 50% of the remainder going to unrelated organizations. The Church may ultimately have unrestricted use of the assets, or the donor may place permanent or temporary restrictions on their use.

Charitable Gift Annuities: Charitable gift annuities are arrangements between a donor and the Church in which the donor contributes assets to the Church in exchange for a promise by the Church to pay a fixed amount for the life of the donor or other individuals designated by the donor. Due to state insurance regulations, the assets received are held as segregated assets. The annuity liability is a general obligation of the Church. Assets are recognized at fair value on the date of the contribution. An annuity payment liability is recognized for the present value of future cash flows expected to be paid to the donor or to the designated individual. The discount rate is the appropriate risk adjusted rate on the date of the contract. The 2000 mortality tables are used to calculate the life expectancies of the annuity beneficiaries.

At the death of the donor or designated individual, the book value of the contract is distributed to the Church or related organization for unrestricted, temporarily restricted, or permanently restricted use depending upon the donor restrictions.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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 Years ended January 31, 2013 and 2012

NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

Pooled Income Funds and Life Income Contracts: Donors contribute assets to an investment pool and are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor or designated beneficiary is paid the actual ordinary income earned on the donor's units. Realized gains or losses are added to each unit's principal. Upon the donor's death, the value of the units is released to the Church or a related organization to be used as specified by the donor.

The contributed assets are recorded at fair value. A contribution is recorded at the fair value of the assets discounted for the estimated time period until the donor's death. The appropriate risk adjusted rate at the date of the contribution is used for the discount rate, and the 2000 mortality tables are used to calculate life expectancies. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future revenue.

A summary of recorded amounts related to these arrangements as of December 31, 2012 and 2011, is as follows:

	2012		2011	
	Deferred Revenue	Annuity Payable	Deferred Revenue	Annuity Payable
Charitable remainder annuity trusts	\$ -	\$ 1,957,738	\$ -	\$ 2,066,495
Charitable remainder unitrusts	-	39,976,145	-	37,992,152
Charitable gift annuities	-	53,909,029	-	58,127,839
Pooled income funds	836,855	-	849,267	-
Life income funds	69,794	-	64,307	-
Life income estates	69,072	-	79,247	-
	\$ 975,721	\$ 95,842,912	\$ 992,821	\$ 98,186,486

The summary of recorded amounts listed above is as of December 31, 2012 and 2011, which management believes is not materially different than if the amounts were recorded as of January 31, 2013 and 2012.

Adjustments to the liability to reflect amortization of the discount and changes in actuarial assumptions are recognized in the statement of activities as a change in the value of split-interest agreements in temporarily or permanently restricted net assets based on the donor's restrictions.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 8 - RELATED-PARTY TRANSACTIONS

The Church provided building space, accounting and management services to some affiliated entities at negotiated rates which were below the fair value of the services.

The services provided have an estimated fair value of \$93,000 and \$94,000 for the years ended January 31, 2013 and 2012, respectively.

The Church does not recognize the economic substance (fair value) of the unbilled services in the financial statements as these are considered by management to be immaterial.

NOTE 9 - DEFINED-CONTRIBUTION PENSION PLAN

Substantially all active employees of the Church are enrolled in the noncontributory defined-contribution pension plan administered by the Board of Pensions. The employer contributions to the plan for the years ended January 31, 2013 and 2012 were \$2,939,326 and \$2,811,648, respectively. All contributions to the plan are funded on a current basis.

NOTE 10 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS

Pension Benefits: The Church has established minimum pension levels, assumed from predecessor church organizations, for certain clergy who retired prior to January 1, 1988. The Church provides funding for these minimum pension benefits to the extent that the reserves maintained by the Board of Pensions are insufficient to fund the plan. During the years ended January 31, 2013 and 2012, the Church made no payments to the Board of Pensions to cover the cost of retirees' pension benefits. Employer contributions to the Pension Plan during the fiscal year ending January 31, 2013, are expected to be zero.

During 2013, \$253,496 was paid in benefits to members and survivors under these plans. Total actuarial liability as of January 31, 2013 was \$1,553,810, and plan assets were \$3,423,382, which resulted in excess plan assets over actuarial liabilities of \$1,869,572. The assumed long-term rate of investment return for minimum and non-contributory benefits was 2.70% and 3.40% at January 31, 2013 and 2012.

Expected future cash flows for minimum and non-contributory pension benefits for the years ending December 31 are as follows:

	<u>Minimum and Non-Contributory Pension Plans</u>
2013	\$ 233,990
2014	208,718
2015	185,614
2016	164,541
2017	145,325
2018-2022	<u>495,674</u>
	<u>\$ 1,433,862</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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 Years ended January 31, 2013 and 2012

NOTE 10 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits: Members with service in a predecessor organization may be eligible to receive a post-retirement health contribution subsidy from the ELCA Board of Pensions (dba Portico Benefit Services) and in some cases a monthly reimbursement of their SMI (Medicare Part B) premiums. These subsidies are expressed as a percentage of the monthly cost for coverage paid by eligible retirees under the Church Medical and Dental Benefits Plan. Subsidies are based on age or a combination of age and service. Approximately 12,000 active or retired members and spouses are eligible or potentially eligible for these subsidies.

These post-retirement medical subsidies are funded through trust funds set aside for that purpose. The trust funds are held and reported by Portico; additional contributions are made by ELCA entities pursuant to a funding understanding with Portico and participating employers. The full actuarial valuation of the obligation is reported on the financial statements of Portico. Portico financial statements at December 31, 2012 and 2011, include the trust assets of approximately \$100,032,000 and \$93,921,000, respectively, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$162,795,000 and \$167,964,000, respectively.

The Church contributed \$2,500,000 during fiscal year ended January 31, 2013 and 2012, toward the funding of this post-retirement health care benefit, and expects to contribute \$2,500,000 during fiscal year ended January 31, 2014. During fiscal year ended January 31, 2013 and 2012, other ELCA employers that sponsor employees in the ELCA Pension and Other Benefits Program contributed 0.7% of sponsored members' defined compensation. Contributions collected in this manner for the year ended January 31, 2014, are expected to be about \$5,000,000. The contribution rates, including the contribution for retiree support, are set annually by the Board of Trustees of Portico.

Based on current assumptions, it is anticipated that full funding may be achieved between 2015 and 2018 if the number of sponsored members decreases by 1% to 5%, average salaries increase by 2.5% per year and the return on the fund ranges from 5.78% to 7.78%.

NOTE 11 - LEASES

Operating Leases: The Church leases certain office facilities and equipment under various operating leases. The facilities' leases generally provide for renewal options and include escalator clauses based on increases in real estate taxes and operating expenses. Total rent expenses for operating leases were approximately \$294,555 and \$358,634 for the years ended January 31, 2013 and 2012, respectively.

Minimum annual rental commitments under non-cancelable leases for the years ending January 31 are as follows:

	<u>Office Facilities</u>	<u>Office Equipment</u>	<u>Total</u>
2014	\$ 271,661	\$ 17,467	\$ 289,128
2015	245,883	8,471	254,354
2016	248,887	771	249,658
2017	251,655	-	251,655
2018	122,307	-	122,307
	<u>\$ 1,140,393</u>	<u>\$ 26,709</u>	<u>\$ 1,167,102</u>

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NOTE 11 - LEASES (Continued)

Capital Lease: The following schedule shows the years of future annual minimum lease payments under capital lease, together with the present value of the net minimum lease payments:

<u>Year ending January 31,</u>			
2014	\$	72,723	
2015		13,800	
2016		13,800	
2017		13,800	
2018		<u>4,734</u>	
Total minimum lease payments		118,857	
Amount representing interest		<u>1,518</u>	
Present value of net minimum lease payments	\$	<u><u>117,339</u></u>	

The capital leases include the following classes of property:

Office equipment	\$	681,661
Less: Accumulated amortization		<u>477,611</u>
	\$	<u><u>204,050</u></u>

NOTE 12 - COLLECTIONS

The Church's art collections, which were acquired through purchases and contributions, are not recognized as assets on the statement of financial position. The collections represent a wide variety of art mediums: collagraph, etching, intaglio, dry-point engraving, katazome, linocut, oil, serigraph/silk-screen, stained glass, watercolor, and woodcut. The art is intended to share the Gospel visually with many of the pieces having biblical references. Purchases of collection items, if any, are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Contributed collection items, if any, are not reflected on the financial statements. Proceeds from de-accessions or insurance recoveries, if any, are reflected as increases in the appropriate net asset classes.

NOTE 13 - LINE OF CREDIT

At January 31, 2013, the Church had a \$10,000,000 unsecured and uncommitted line of credit with no termination date. Interest on outstanding borrowings is charged at the greatest of: (i) the bank's prime commercial rate plus 1.0%; (ii) the quoted federal funds rate in the secondary market plus 1.5%; or (iii) one-month LIBOR rate plus 2.0%. There were no borrowings outstanding under the line of credit at January 31, 2013 or 2012, or during the years then ended.

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NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets which were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows during the year ended January 31:

	<u>2013</u>	<u>2012</u>
Satisfaction of program restrictions:		
World Hunger	\$ 22,170,306	\$ 19,794,739
Disaster Relief	10,552,532	9,072,792
Congregational and Synodical Mission	1,933,362	747,963
Global Mission	1,609,364	952,902
Office of the Presiding Bishop	133,574	355,059
Other programs	<u>588,362</u>	<u>717,905</u>
 Satisfaction of program restrictions	 <u>\$ 36,987,500</u>	 <u>\$ 31,641,360</u>

NOTE 15 - CONCENTRATIONS OF RISK

The Church's primary sources of revenue are contributions from synods. The synod contributions are dependent upon contributions from the membership of congregations of the Church. There are nine regions comprising a total of 65 synods. The following is a summary of the contributions by synods in each of the regions during the years ended January 31:

	<u>2013</u>	<u>2012</u>
Region 1 – Northwest area	\$ 2,106,560	\$ 2,064,552
Region 2 – Southwest area	4,259,783	4,254,477
Region 3 – Northwest Midwest area	7,439,340	7,455,678
Region 4 – Southwest Midwest area	4,936,681	4,915,005
Region 5 – Northeast Midwest area	10,624,358	10,525,801
Region 6 – Southeast Midwest area	4,437,876	4,601,107
Region 7 – Northeast area	5,572,023	5,904,529
Region 8 – East area	5,599,840	5,787,882
Region 9 – Southeast area	<u>4,895,362</u>	<u>4,914,128</u>
 Total synod mission support	 <u>\$ 49,871,823</u>	 <u>\$ 50,423,159</u>

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NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting rules require the disclosure of the methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value. Changes in assumptions could significantly affect the estimates.

Cash, cash equivalents, and interest receivable: The carrying amount approximates fair value because of the short maturity of these instruments.

Mortgages, notes, contracts for deed: The mortgages, notes, and contracts for deed carrying values approximate fair values based on current interest rates and the present values of the estimated future cash flows.

Overseas church construction loans: The carrying value is recognized as the principal due at January 31, 2013. The carrying value, which approximates fair value, is based on future payments at the nominal interest rate (ranging from 2% to 5%), discounted at the prime rate, at January 31, 2013.

Annuities payable, funds held for others and funds held for others in perpetuity: The carrying value of funds held for others and funds held for others in perpetuity approximates the fair value as the carrying value is calculated as the present value of the estimated future cash flows. The fair value of annuities payable is also calculated as the present value of the estimated future cash flows; however, the fair value is approximately \$111,600,000 versus a carrying value of approximately \$93,300,000.

Notes payable: The carrying value approximates the fair value as the carrying value is calculated as the remaining amounts due on these notes.

NOTE 17 - SECURITIES LOANED

The Church previously had an agreement with its investment custodian to lend securities to brokers in exchange for a fee. The security lending agreement specifies that the custodian is responsible for the lending of securities and obtaining adequate collateral from the borrower. The Church receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Church also continues to receive interest or dividends on the securities loaned. The loans are secured by collateral at least equal, at all times, to the fair value of the securities loaned plus accrued interest. Any gain or loss in the fair value of the securities loaned that may occur during the term of the loan will accrue to the benefit of the Church.

At December 31, 2012 and 2011, investment securities with an aggregate fair value of approximately \$0 and \$20,000,000, respectively, were loaned to various brokers and are returnable upon demand.

The ELCA earned approximately \$132,000 and \$127,000 in fees for the fiscal years ended 2013 and 2012, respectively.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 18 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at January 31:

	<u>2013</u>	<u>2012</u>
General	\$ 41,072,877	\$ 29,479,761
Funds functioning as endowment (Note 21)	22,128,625	19,865,332
Underwater portion of donor-restricted endowment funds (Note 21)	(2,671,479)	(7,982,639)
Net investment in property, furniture, equipment and building	<u>29,932,521</u>	<u>30,752,827</u>
	<u>\$ 90,462,544</u>	<u>\$ 72,115,281</u>

NOTE 19 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at January 31:

	<u>2013</u>	<u>2012</u>
Program-restricted:		
Disaster Relief	\$ 16,791,509	\$ 19,483,182
World Hunger	6,776,425	5,500,094
Office of the Presiding Bishop	367,746	403,231
Congregational & Synodical Mission	7,903,529	9,228,687
Global Mission	2,748,404	3,220,836
Mission Advancement	486,360	499,825
Other programs	<u>21,688</u>	<u>21,688</u>
	35,095,661	38,357,543
Time-restricted, expendable in subsequent years	<u>79,789,306</u>	<u>66,189,445</u>
	<u>\$ 114,884,967</u>	<u>\$ 104,546,988</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 20 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

	<u>2013</u>	<u>2012</u>
Investments in perpetuity, the income from which is expendable (Note 21)	\$ 144,792,044	\$ 136,787,354
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	14,859,598	13,648,071
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,035,529</u>	<u>2,027,082</u>
	<u>\$ 161,687,171</u>	<u>\$ 152,462,507</u>

NOTE 21 - ENDOWMENT FUNDS

Interpretation of Relevant Law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) modernizes the laws governing a not-for-profit organization's investment and management of donor-restricted endowment funds. The Board of Trustees of the Endowment Fund, serving as the body delegated to manage the Church's endowments, has interpreted UPMIFA as allowing, but not requiring, the preservation of the historic dollar value of the original gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church has chosen to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with accounting principles governing not-for-profit organizations subject to an enacted version of UPMIFA, the portions of donor-restricted endowments not classified as permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure. Realized and unrealized gains and losses on all Church permanently restricted endowments are being recognized in temporarily restricted net assets, except for unrealized gains and losses on deferred gifts that will provide proceeds upon death of the annuitant for a permanent endowment.

The Church classifies as temporarily restricted net assets all donor-restricted endowment funds where donor stipulation allows for the release of such funds according to an event or time restriction. In the absence of donor stipulations to the contrary, losses on the investment of such a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that the donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss is recorded as a reduction of unrestricted net assets.

The aggregate amount of funds for which the fair value of the assets held is less than the level required by donor stipulation or law were approximately \$54,624,000 and \$102,123,000 at December 31, 2012 and 2011, respectively. At December 31, 2012, a cumulative loss of approximately \$2,671,000 was reported in unrestricted net assets to re-establish underwater endowment balances in accordance with governing accounting principles. During the current year, approximately \$5,289,000 has been reclassified from temporarily to unrestricted restricted net assets.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 21 - ENDOWMENT FUNDS (Continued)

Endowment Spending Policies: Endowment pool distributions are made quarterly at a rate established annually by the Trustee. The distribution rate reflects the Trustee's consideration of the anticipated returns of the Trust and anticipated changes in the purchasing power of the Trust. The rate established for fiscal year ended January 31, 2013 and 2012, was 4.25%, and is normally less than the anticipated total return of the Trust. The distribution unit value is equal to the average of the unit values on December 31 of the five preceding years multiplied by the annual distribution rate. The Trustee-approved distribution for the year 2013 is 4.25% of the average December 31 unit values of the five preceding years.

Earnings in excess of the distribution rate are allocated among the endowment accounts in proportion to the number of units assigned to each account as undistributed earnings. If the quarterly distribution exceeds the actual dividend, interest, and net realized gains earned in the quarter, the excess is distributed from accumulated undistributed earnings or participant capital. At December 31, 2012, 1,359 of 1,932 accounts had accumulated undistributed earnings compared to 1,159 of 1,872 at December 31, 2011.

In consideration of donor request or intent, certain donor-restricted endowments are invested through instruments held outside of the Trust. Investment income is distributed or reinvested according to the donor-imposed restriction(s) for the usage of endowment distributions.

Endowment Investment Policies: The Trust's investment objective is to provide a stable stream of investment income with long-term capital appreciation, while assuming a moderate level of investment risk. In accordance with guidelines approved by the Trustee, the Trust's assets are invested in a manner that is intended to produce results that exceed the investment's benchmark by 35 basis points over rolling five-year time periods. Actual returns in any given year may vary from this objective.

The Board of Pensions, doing business as Portico Benefit Services, serving as the investment advisor to the Trust, endeavors to achieve long-term return objectives within prudent risk constraints by investing the Trust's assets in a diversified portfolio that places a greater emphasis on equity-based and fixed-income investments. Investments are selected in accordance with the criteria of social responsibility that is consistent with the values and programs of the Church. The Trust's target asset allocation ranges are 30% to 40% in U.S. equity securities, 20% to 30% in Non-U.S. equity securities, 10% to 20% in investment grade fixed income securities, 5% to 15% in high-yield fixed income securities, 5% to 15% in global real estate securities and 0% to 10% in U.S. inflation-indexed securities with the balance in cash and cash equivalents. The Investment Advisor, at its option, may appoint one or more investment advisors to carry out certain responsibilities with respect to the Trust, including investment advisory responsibilities subject to the approval of the Trustee.

Certain donor-restricted endowments that are held outside of the Trust are generally invested in term certificates intended to provide interest income and preserve principal amounts while assuming a low level of investment risk.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 21 - ENDOWMENT FUNDS (Continued)

Net asset composition by type of endowment fund as of January 31, 2013 and 2012:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted funds*	\$ (2,671,479)	\$ 64,781,430	\$ 144,792,044	\$ 206,901,995
Funds functioning as endowment	22,128,625	-	-	22,128,625
	<u>\$ 19,457,146</u>	<u>\$ 64,781,430</u>	<u>\$ 144,792,044</u>	<u>\$ 229,030,620</u>
	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds*	\$ (7,982,639)	\$ 50,021,961	\$ 136,787,354	\$ 178,826,676
Funds functioning as endowment	19,865,332	-	-	19,865,332
	<u>\$ 11,882,693</u>	<u>\$ 50,021,961</u>	<u>\$ 136,787,354</u>	<u>\$ 198,692,008</u>

* With the exception of certain investments held by outside trust, Church permanently restricted net assets are based on the historic dollar value of donor-stipulated permanently restricted net assets.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 21 - ENDOWMENT FUNDS (Continued)

	Endowment Roll-Forward			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2012	\$ 11,882,693	\$ 50,021,961	\$ 136,787,354	\$ 198,692,008
Investment return:				
Net investment income	9,241,938	340,132	-	9,582,070
Net gain in fair value (realized and unrealized)	<u>11,915,327</u>	<u>16,076,077</u>	<u>839,229</u>	<u>28,830,633</u>
Total investment return	<u>21,157,265</u>	<u>16,416,209</u>	<u>839,229</u>	<u>38,412,703</u>
New gifts	1,512,759	7,604,480	8,410,888	17,528,127
Net assets released from restriction	3,868,041	(3,972,570)	(1,245,427)	(1,349,956)
Other changes				
Distribution of endowment income	<u>(24,252,262)</u>	-	-	<u>(24,252,262)</u>
Total other changes	<u>(24,252,262)</u>	-	-	<u>(24,252,262)</u>
Recovery of endowment balance	<u>5,288,650</u>	<u>(5,288,650)</u>	-	-
Net assets, January 31, 2013	<u>19,457,146</u>	<u>64,781,430</u>	<u>144,792,044</u>	<u>229,030,620</u>
Cash surrender value of life insurance	-	-	<u>2,035,529</u>	<u>2,035,529</u>
Net assets, January 31, 2013	<u>\$ 19,457,146</u>	<u>\$ 64,781,430</u>	<u>\$ 146,827,573</u>	<u>\$ 231,066,149</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Years ended January 31, 2013 and 2012

NOTE 21 - ENDOWMENT FUNDS (Continued)

	Endowment Roll-Forward			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2011	\$ 16,707,838	\$ 58,269,133	\$ 133,149,735	\$ 208,126,706
Investment return:				
Net investment income	5,717,170	1,724,868	-	7,442,038
Net gain (loss) in fair value (realized and unrealized)	<u>28,418,091</u>	<u>(13,932,239)</u>	<u>(852,188)</u>	<u>13,633,664</u>
Total investment return	<u>34,135,261</u>	<u>(12,207,371)</u>	<u>(852,188)</u>	<u>21,075,702</u>
New gifts	977,988	4,345,113	3,430,934	8,754,035
Net assets released from restriction	3,914,532	(4,832,947)	1,058,873	140,458
Other changes				
Distribution of endowment income	<u>(39,404,893)</u>	-	-	<u>(39,404,893)</u>
Total other changes	<u>(39,404,893)</u>	-	-	<u>(39,404,893)</u>
Recovery of endowment balance	<u>(4,448,033)</u>	<u>4,448,033</u>	-	-
Net assets, January 31, 2012	<u>11,882,693</u>	<u>50,021,961</u>	<u>136,787,354</u>	<u>198,692,008</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>2,027,082</u>	<u>2,027,082</u>
Net assets, January 31, 2012	<u>\$ 11,882,693</u>	<u>\$ 50,021,961</u>	<u>\$ 138,814,436</u>	<u>\$ 200,719,090</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2013 and 2012

NOTE 22 - CONTINGENCIES

The Church is a party to litigation in various matters arising in the ordinary course of operations. Typically, the Church's insurance carriers are defending these matters. During the year 2012, the Church agreed to settle a lawsuit for which a settlement reserve had been accrued; the settlement concluded within the amount reserved. Pending litigation will be vigorously defended and, in the opinion of management, is likely to be resolved without any material adverse effect upon the financial statements of the Church.

NOTE 23 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2013, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2013. Management has performed their analysis through June 4, 2013, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.

SUPPLEMENTARY INFORMATION

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION BY FUND
 January 31, 2013

	General Operating and Other Restricted Funds	Endowment Funds	Deferred Gift Funds	Total
ASSETS				
Cash and cash equivalents	\$ 25,536,837	\$ 5,721,539	\$ 7,210,232	\$ 38,468,608
Accounts receivable	10,183,835	-	202,231	10,386,066
Interest receivable	186,735	-	742,201	928,936
Investments	38,635,130	446,421,658	164,632,052	649,688,840
Prepaid expenses and other assets	6,345,074	3,685,408	1,086,965	11,117,447
Mortgages, notes, and contracts for deed, net	2,768,073	-	1,088,502	3,856,575
Overseas church construction loans, net	1,136,013	-	-	1,136,013
Property, furniture, and equipment, net	30,049,860	-	-	30,049,860
Beneficial interest in perpetual trusts	-	15,393,491	1,210,076	16,603,567
Total assets	<u>\$ 114,841,557</u>	<u>\$ 471,222,096</u>	<u>\$ 176,172,259</u>	<u>\$ 762,235,912</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 3,458,688	\$ 183,944	\$ 52,941	\$ 3,695,573
Deferred revenue	2,065,411	365,786	975,721	3,406,918
Due to related organizations	(483,579)	1,024,244	626,072	1,166,737
Accrued liabilities	2,377,947	-	100	2,378,047
Annuities payable	-	-	95,842,912	95,842,912
Note payable	117,339	-	-	117,339
Funds held for others	99,007	182,943,318	49,912,724	232,955,049
Funds held for others in perpetuity	-	55,638,655	-	55,638,655
Total liabilities	<u>7,634,813</u>	<u>240,155,947</u>	<u>147,410,470</u>	<u>395,201,230</u>
Net assets				
Unrestricted	70,556,697	19,457,146	448,701	90,462,544
Temporarily restricted	36,650,047	64,781,430	13,453,490	114,884,967
Permanently restricted	-	146,827,573	14,859,598	161,687,171
Total net assets	<u>107,206,744</u>	<u>231,066,149</u>	<u>28,761,789</u>	<u>367,034,682</u>
Total liabilities and net assets	<u>\$ 114,841,557</u>	<u>\$ 471,222,096</u>	<u>\$ 176,172,259</u>	<u>\$ 762,235,912</u>

See accompanying Report of Independent Auditors

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION BY FUND
 January 31, 2012

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift Funds	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 27,451,708	\$ 2,806,046	\$ 6,345,827	\$ 36,603,581
Cash and securities held as collateral for loan	-	-	19,813,061	19,813,061
Payables under securities agreement loan	-	-	(19,813,061)	(19,813,061)
Accounts receivable	8,778,663	-	363,394	9,142,057
Interest receivable	236,691	-	848,018	1,084,709
Investments	37,915,308	386,386,138	168,756,589	593,058,035
Prepaid expenses and other assets	5,287,586	3,609,222	1,060,613	9,957,421
Mortgages, notes, and contracts for deed, net	3,296,831	-	1,108,468	4,405,299
Overseas church construction loans, net	925,202	-	-	925,202
Property, furniture, and equipment, net	30,965,889	-	-	30,965,889
Beneficial interest in perpetual trusts	-	14,507,152	1,203,376	15,710,528
Total assets	<u>\$ 114,857,878</u>	<u>\$ 407,308,558</u>	<u>\$ 179,686,285</u>	<u>\$ 701,852,721</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 5,192,955	\$ 206,638	\$ 50,856	\$ 5,450,449
Deferred revenue	7,984,598	300,261	992,821	9,277,680
Due to related organizations	(498,523)	1,130,808	147,242	779,527
Accrued liabilities	2,707,556	-	100	2,707,656
Annuities payable	-	-	98,186,486	98,186,486
Funds held for others	78,129	159,629,771	51,083,195	210,791,095
Note payable	213,062	-	-	213,062
Funds held for others in perpetuity	-	45,321,990	-	45,321,990
Total liabilities	<u>15,677,777</u>	<u>206,589,468</u>	<u>150,460,700</u>	<u>372,727,945</u>
Net assets				
Unrestricted	59,367,795	11,882,693	864,793	72,115,281
Temporarily restricted	39,812,306	50,021,961	14,712,721	104,546,988
Permanently restricted	-	138,814,436	13,648,071	152,462,507
Total net assets	<u>99,180,101</u>	<u>200,719,090</u>	<u>29,225,585</u>	<u>329,124,776</u>
Total liabilities and net assets	<u>\$ 114,857,878</u>	<u>\$ 407,308,558</u>	<u>\$ 179,686,285</u>	<u>\$ 701,852,721</u>

See accompanying Report of Independent Auditors

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ADMINISTRATIVE OFFICES
 CONSOLIDATED SCHEDULES OF EXPENSES BY OBJECT
 Years ended January 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Financial support - grants	\$ 55,310,808	\$ 51,574,752
Compensation		
Central staff	20,390,629	19,300,542
Missionaries	2,557,107	2,664,104
Employee benefits		
Central staff	9,317,153	8,944,170
Missionaries	1,370,882	1,433,311
Retiree pension expenses	(356,261)	12,738
Postretirement health care benefits	2,500,000	2,500,000
Travel - staff, board, and committees	4,082,828	2,803,597
Special events	6,811,897	3,371,153
Office expenses	921,944	936,865
Printing/duplicating	2,663,751	2,904,566
Purchased services	4,835,674	3,578,250
Regional office expenses	1,168,410	1,165,025
Insurance	573,244	510,358
Interest expense	5,033	53,030
Facilities and utilities	2,175,023	2,429,676
Non-capitalized equipment, repairs, and rentals	783,271	911,949
Depreciation	2,437,573	2,132,974
Miscellaneous	<u>369,775</u>	<u>980,270</u>
 Total operating expenses	 <u>117,918,741</u>	 <u>108,207,330</u>
 Investment expense	 1,299,861	 1,512,664
Endowment interest payments and distribution	<u>17,486,016</u>	<u>33,684,466</u>
 Total expenses	 <u>\$ 136,704,618</u>	 <u>\$ 143,404,460</u>

See accompanying Report of Independent Auditors