



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 the *Constitution, Bylaws, and Continuing Resolutions of the Evangelical Lutheran Church in America*, continuing resolutions **15.14.A10.** and **15.14.B10.**

Budget development and accounting analyst services

The Office of the Treasurer has continued to estimate revenue, recommend spending authorization levels and advise the Office of the Presiding Bishop regarding financial sustainability. 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. Primary areas of emphasis during this triennium have been strengthening mission support, enhancing infrastructure for *Always Being Made New: The Campaign for the ELCA* and bolstering other funding streams.

Building management

In January 2015, the Lutheran Center received a Leadership in Energy and Environmental Design (LEED) Gold certification. Efforts to reduce energy consumption have resulted in a 25 percent decrease in electricity usage, 11 percent reduction in water consumption, 19 percent lower maintenance costs and 34 percent lower greenhouse emissions compared to other facilities of similar size. Installation of a new heating, ventilation and air conditioning (HVAC) system has contributed to reduced electricity consumption. Due to this and other facility investments, the ELCA churchwide organization received recognition from the local power utility.

Information technology

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

The churchwide organization invests in new business and technology systems that enhance the efficiency and effectiveness of how it carries out ministry through the churchwide expression and in support of the other expressions of this church. Information Technology collaborates with all aspects of the organization to facilitate technology-related project selection and prioritization criteria aligned with the ELCA churchwide organization's operational plan. Over the triennium, several projects have been or are in the process of being implemented. These projects are grounded in a commitment to the organization: People delivering and supporting technology solutions and products in a secure, friendly, consistent and cost-effective manner to assist people in accomplishing the goals and objectives of the ELCA, related ministries and organizations.

Selected initiatives having significant operational and strategic impact are:

- **Online/digital technology:** In partnership with Mission Advancement, Information Technology delivered two new web properties: LivingLutheran.org and my.ELCA.org. LivingLutheran.org is the new, mobile-friendly digital companion to the flagship ELCA periodical *Living Lutheran* (formerly *The Lutheran*). My.ELCA.org is an online sharing and collaboration platform for use by church networks and committees that desire to communicate virtually, share information and build relationships. Ongoing enhancements to ELCA.org include upgrades to the resource library, blogs, site search and a mobile version. Internally, the churchwide organization migrated to a new telephony, communication and contact center system that integrates email, voice, video and

instant messaging across multiple devices and provides additional communication channels and enhanced connections.

- **Peer-to-peer fundraising system:** A platform was built in collaboration with Mission Advancement to allow individuals and groups to create and manage personalized webpages, establish fundraising goals, ask friends for donations and celebrate their achievements in support of ELCA programs. For the 2016 ELCA World Hunger Big Game Synod Challenge, the North Carolina, South Carolina and Rocky Mountain synods leveraged this technology for a friendly Super Bowl competition in support of the ELCA's commitment to ending hunger.
- **Information and security management:** Data security and management have become a visible threat to all organizations, and the churchwide organization is executing coordinated strategies to protect this church's information and assets. Prioritized projects are already providing for improved management, integration, analysis, security and accessibility to the vast amount of information that the organization creates, retains and deletes. Information and security management will continue to be a focus in the next triennium.
- **Modernization of call process and candidacy systems:** This project delivered updated technology mediums for collecting candidacy and call process information as well as sharing information. Mediums now include personal computers, tablets and mobile devices of varying operating systems in a simplified portal.
- **Capacity analysis:** At the request of the Office of the Presiding Bishop, Information Technology leadership spent several months in 2015 collecting and analyzing internal data, staff input and industry benchmarks to prepare a current state analysis and set of recommendations that will meet both the current and emerging needs of the church. Implementation of recommendations has begun in 2016 and will continue into the next triennium.

Audit

CapinCrouse LLP has conducted regular reviews of processes and controls across financial operations. Their work provides third-party assessment of the churchwide organization's financial integrity and includes valuable consultation and best practice recommendations. The internal audit function relates directly to the ELCA Audit Committee.

Crowe Horwath LLP provides external audit services for the churchwide organization, meeting three times each year with the ELCA Audit Committee and coordinating with the internal audit function to maximize the audit scope and results. During the triennium, audit processes have resulted in unmodified audit opinions and positive results. No significant deficiencies or material weaknesses were identified.

Accounting

Accounting functions include general accounting, financial reporting, receipts processing and accounts payable. These teams process financial transactions for the churchwide organization and produce 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.

Banking and investments

The Office of the Treasurer's treasury and asset management team is responsible for recommending policies to the ELCA Church Council and the Endowment Fund of the ELCA and monitoring the activities of investment advisers and managers. Investment strategies are designed to meet the objectives and needs of the operating, endowment and deferred gift programs. Operating banking and investment relationships remained consistent throughout the triennium. BMO Harris Bank provides treasury management services for churchwide operations. Partnering with ELCA-related ministries whenever possible, the endowment fund program continues to use investment vehicles of Portico Benefit Services and the Mission Investment Fund. The charitable gift annuity pool is also managed by Portico. Other deferred gifts are managed by unrelated banks and investment companies.

Major work for 2017-2019

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

- **Sustainability:** Partnering with leaders of the churchwide expression, governance and advisory bodies, and other leaders across this church, the Office of the Treasurer will undertake efforts in support of the church's priority to address future sustainability of the ELCA.
- **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.
- **Business process workflow, security and information management:** Continuing efforts begun in 2014-2016, implementation of the Enterprise Systems and Information Management Strategy will include prioritized projects that foster improved security, management, efficiency, integration, analysis, reporting and accessibility for churchwide systems. Through collaboration with the Office of the Secretary and Mission Advancement, a secure, electronic version of the ELCA yearbook will also be developed and securely distributed.
- **Rostered leader system enhancements:** Subject to approval of related recommendations by the Churchwide Assembly, updates will be made to our systems related to "word and service" roster unification. The rostered leader system will also be enhanced to support digital storage of rostered leader profiles.

Part Two: 2013, 2014 and 2015 financial report

Audited financial report for fiscal years 2013, 2014 and 2015

The audited financial statements of the ELCA churchwide administrative offices for the years ended Jan. 31, 2016; Jan. 31, 2015; and Jan. 31, 2014, are attached as Appendices A-C 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.

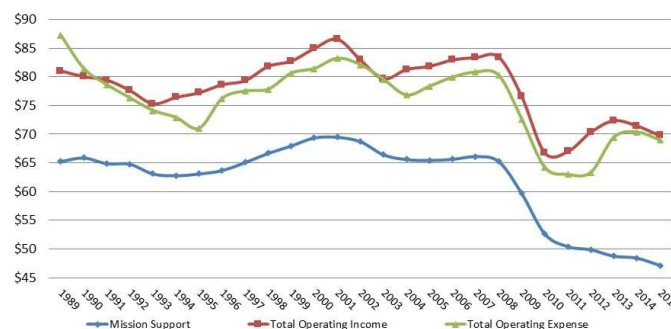
Current operating results for 2013, 2014 and 2015

Net operating results (reported exclusive of the Endowment Fund and Deferred Gift Funds and non-operational, pre-audit closing entries) remained positive throughout the triennium with operating revenue greater than operating expenses in each of the three years. Net revenue for the 2013, 2014 and 2015 fiscal years amounted to \$2.9 million, \$1.1 million and \$0.8 million, respectively. Expenses amounted to approximately \$69-\$70 million in each of 2013, 2014 and 2015.

Income from congregations in the form of mission support decreased from \$49.9 million in 2012 to \$47.1 million in 2015, a decline of 5.5 percent over the triennium. Reductions in mission support and certain other operating revenue categories were partially offset by additional grants from the Mission Investment Fund in support of new congregations and generally positive results from endowment, bequest and trust, and investment income.

Current Fund Income vs. Expense 1989 – 2015

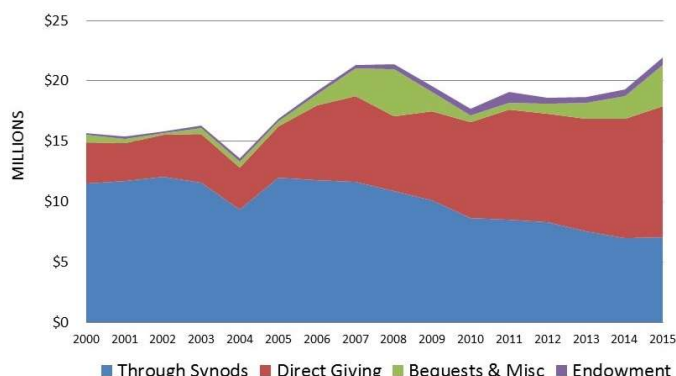
In Millions



ELCA World Hunger

Giving to ELCA World Hunger grew from \$18.7 million in 2013 to \$21.9 million in 2015. Additionally, ELCA members contributed approximately \$15.4 million to the ELCA Malaria Campaign, surpassing the goal of \$15 million by Jan. 31, 2016. Continuing the strong commitment to accompanying communities in times of disaster, approximately \$23 million was contributed to Lutheran Disaster Response, including generous gifts for Pacific Typhoon Response, Nepal Region Earthquake Relief, Middle East-Europe Refugee Crisis, Domestic Tornadoes, West Africa Ebola Outbreak and U.S. Floods.

World Hunger Revenue By Source Type 2000 – 2015



Always Being Made New: The Campaign for the ELCA

Fiscal year 2015 marked the end of the second year of the ELCA's five-year \$198 million campaign in support of several ministry priorities: congregations, leadership, global church, and hunger and poverty. Through Jan. 31, 2016, this church had raised more than \$80 million in revenue and commitments, 40.4 percent of the five-year goal. In addition to strong results in ELCA World Hunger and the ELCA Malaria Campaign as noted above, giving has been particularly strong in support for ELCA Fund for Leaders, missionaries/young adults in global Mission, new congregations and gifts to where needed most.

Deferred gifts

As of Dec. 31, 2015, the churchwide organization's gift annuity program had 3,788 active annuities with associated segregated assets totaling \$67.8 million. The ELCA issued approximately 256 new gift annuities during the triennium, and more than 940 gift annuities matured during that same time period, with \$14.4 million distributed to ELCA ministries and other charitable organizations.

The churchwide organization administers 351 active charitable remainder trusts and a limited number of pooled income funds with investments totaling approximately \$72.1 million as of Dec. 31, 2015. During the triennium, approximately \$9.2 million in matured gifts were distributed to ELCA ministries and other charitable organizations through these programs.

ELCA Endowment Fund Pooled Trust (Pooled Trust)

As of Dec. 31, 2015, the Pooled Trust had 930 participants holding 2,344 accounts that totaled \$589.8 million. This represents a net increase of approximately 340 accounts and \$142.1 million since Dec. 31, 2012. The ELCA churchwide organization is the largest participant in the fund with invested assets of approximately 55.6 percent of total market value. No other participant has more than 5 percent ownership in the Pooled Trust. Further discussion of the Pooled Trust and its activities is available in the report of the Endowment Fund of the ELCA located in Section II: Report of the Officers.

Summary

We are indeed a church that believes God is calling us into the world together for the sake of the world. 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!

The Rev. Linda O. Norman, *treasurer*

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

CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2014 and 2013



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES

CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Emphasis of Matter

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, 2014 and 2013, 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 opinion is not modified with respect to this matter.

Other Matter

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 consolidated financial statements. The accompanying supplementary 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



Crowe Horwath LLP

Chicago, Illinois
June 4, 2014

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
January 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 43,511,470	\$ 38,468,608
Accounts receivable (Note 2)	10,638,521	10,386,066
Interest receivable	813,313	928,936
Investments (Note 3)	706,080,934	649,688,840
Prepaid expenses and other assets	11,088,631	11,117,447
Mortgages, notes, and contracts for deed, net (Note 4)	2,649,727	3,856,575
Overseas church construction loans (Note 5)	864,107	1,136,013
Property, furniture, and equipment, net (Note 6)	29,850,233	30,049,860
Beneficial interest in perpetual trusts (Note 3)	<u>19,874,000</u>	<u>16,603,567</u>
 Total assets	 <u>\$ 825,370,936</u>	 <u>\$ 762,235,912</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 3,497,286	\$ 3,695,573
Deferred revenue	2,130,184	3,406,918
Due to related organizations	809,837	1,166,737
Accrued liabilities	1,956,911	2,378,047
Annuities payable (Note 7)	90,545,456	95,842,912
Notes payable	189,489	117,339
Funds held for others	252,591,035	232,955,049
Funds held for others in perpetuity	<u>64,870,976</u>	<u>55,638,655</u>
Total liabilities	<u>416,591,174</u>	<u>395,201,230</u>
 Net assets		
Unrestricted (Note 18)	97,546,330	90,462,544
Temporarily restricted (Note 19)	140,552,596	114,884,967
Permanently restricted (Note 20)	<u>170,680,836</u>	<u>161,687,171</u>
Total net assets	<u>408,779,762</u>	<u>367,034,682</u>
 Total liabilities and net assets	 <u>\$ 825,370,936</u>	 <u>\$ 762,235,912</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2014

	2014				2013
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Operating revenue and support					
Contributed support					
Synod mission support (Note 15)	\$ 48,819,379	\$ -	\$ -	\$ 48,819,379	\$ 49,871,823
World Hunger Appeal	-	21,431,854	-	21,431,854	21,603,010
Global Church sponsorship	2,951,757	-	-	2,951,757	2,907,059
Disaster relief	-	9,024,865	-	9,024,865	7,729,515
Vision for Mission	1,378,121	-	-	1,378,121	1,387,696
Deferred gift contributions	-	327,932	501,167	829,099	1,156,247
Endowment contributions	637,439	6,534,510	6,654,864	13,826,813	16,986,969
Mission Investment Fund	2,000,000	35,000	-	2,035,000	1,500,000
Bequests, trusts, and residuums	5,383,048	1,790,956	-	7,174,004	6,496,207
Grants—corporate and other	712,500	1,486,212	-	2,198,712	1,425,000
Other gifts	1,143,730	2,289,505	-	3,433,235	3,394,599
Total contributed revenue	<u>63,025,974</u>	<u>42,920,834</u>	<u>7,156,031</u>	<u>113,102,839</u>	<u>114,458,125</u>
Other revenue					
Dividend and interest income	3,533,191	134,129	-	3,667,320	3,052,992
Realized losses	(207,853)	-	-	(207,853)	(93,259)
Unrealized losses	(338,690)	-	-	(338,690)	(222,800)
Endowment distributions	760,140	6,331,619	-	7,091,759	6,866,406
Region offices' revenue	1,186,363	-	-	1,186,363	1,288,740
Services and other revenue	4,817,370	-	-	4,817,370	14,965,028
Lease income	1,472,327	-	-	1,472,327	1,453,435
Miscellaneous income	1,323,390	-	24,417	1,347,807	64,724
Total other revenue	<u>12,546,238</u>	<u>6,465,748</u>	<u>24,417</u>	<u>19,036,403</u>	<u>27,375,266</u>
Net assets released from restrictions					
Satisfaction of program restrictions (Note 14)	33,922,535	(33,922,535)	-	-	-
Income expended from					
investments held in perpetuity	2,233,352	(2,233,352)	-	-	-
Change in donor designation	-	(474,778)	250,160	(224,618)	(1,349,956)
Net assets released from restrictions	<u>36,155,887</u>	<u>(36,630,665)</u>	<u>250,160</u>	<u>(224,618)</u>	<u>(1,349,956)</u>
Total operating revenue and support	<u>111,728,099</u>	<u>12,755,917</u>	<u>7,430,608</u>	<u>131,914,624</u>	<u>140,483,435</u>
Operating expenses					
Program services					
Congregational and Synodical Mission	37,386,008	-	-	37,386,008	42,418,866
Global Mission	37,180,960	-	-	37,180,960	40,097,481
Mission Advancement	5,867,823	-	-	5,867,823	4,292,846
Church periodicals	2,509,675	-	-	2,509,675	2,942,788
Office of the Presiding Bishop	2,783,648	-	-	2,783,648	2,774,375
Region Offices' expense	1,319,081	-	-	1,319,081	1,168,410
Retiree's pension expense	(90,919)	-	-	(90,919)	(356,261)
Post-retirement health care					
benefits (Note 10)	2,500,000	-	-	2,500,000	2,500,000
Total program services	<u>89,456,276</u>	<u>-</u>	<u>-</u>	<u>89,456,276</u>	<u>95,838,505</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2014

	2014				2013 <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
Operating expenses (Continued)					
Management and general					
Office of the Presiding Bishop	\$ 3,671,700	\$ -	\$ -	\$ 3,671,700	\$ 3,095,092
Office of the Treasurer	8,036,168	-	-	8,036,168	7,226,299
Office of the Secretary	5,965,565	-	-	5,965,565	4,106,458
Mission Advancement	<u>2,194,764</u>	<u>-</u>	<u>-</u>	<u>2,194,764</u>	<u>2,838,418</u>
Total management and general	<u>19,868,197</u>	<u>-</u>	<u>-</u>	<u>19,868,197</u>	<u>17,266,267</u>
Fundraising					
Mission Advancement	<u>4,322,398</u>	<u>-</u>	<u>-</u>	<u>4,322,398</u>	<u>4,397,877</u>
Total fundraising	<u>4,322,398</u>	<u>-</u>	<u>-</u>	<u>4,322,398</u>	<u>4,397,877</u>
Total operating expenses	<u>113,646,871</u>	<u>-</u>	<u>-</u>	<u>113,646,871</u>	<u>117,502,649</u>
Net operating revenue and support less operating expenses	(1,918,772)	12,755,917	7,430,608	18,267,753	22,980,786
Non-operating transactions:					
Recovery of underw ater endow ment balances (Note 21)	2,370,979	(2,370,979)	-	-	-
Dividend and interest income	12,579,800	1,288,659	-	13,868,459	13,686,745
Realized gains	21,015,305	6,658,335	-	27,673,640	12,041,199
Other endow ment distributions and investing expenses	(28,684,489)	(6,331,619)	-	(35,016,108)	(26,384,307)
Unrealized gains	1,720,963	15,345,199	643,505	17,709,667	17,979,355
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	3,379,869	3,379,869	839,229
Change in value of split interest agreements	-	(1,677,883)	(2,460,317)	(4,138,200)	(3,233,101)
Total non-operating transactions	<u>9,002,558</u>	<u>12,911,712</u>	<u>1,563,057</u>	<u>23,477,327</u>	<u>14,929,120</u>
Changes in net assets	7,083,786	25,667,629	8,993,665	41,745,080	37,909,906
Net assets at beginning 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>
Net assets at end of year	<u>\$ 97,546,330</u>	<u>\$140,552,596</u>	<u>\$170,680,836</u>	<u>\$408,779,762</u>	<u>\$367,034,682</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			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 49,871,823	\$ -	\$ -	\$ 49,871,823
World Hunger Appeal	-	21,603,010	-	21,603,010
Global church sponsorship	2,907,059	-	-	2,907,059
Disaster relief	-	7,729,515	-	7,729,515
Vision for Mission	1,387,696	-	-	1,387,696
Deferred gift contributions	-	471,922	684,325	1,156,247
Endowment contributions	971,601	7,604,480	8,410,888	16,986,969
Mission Investment Fund	1,500,000	-	-	1,500,000
Bequests, trusts, and residuums	5,637,100	859,107	-	6,496,207
Grants—corporate and other	1,000,000	425,000	-	1,425,000
Other gifts	1,169,191	2,225,408	-	3,394,599
Total contributed revenue	<u>64,444,470</u>	<u>40,918,442</u>	<u>9,095,213</u>	<u>114,458,125</u>
Other revenue				
Dividend and interest income	2,826,292	226,700	-	3,052,992
Realized losses	(93,259)	-	-	(93,259)
Unrealized losses	(222,800)	-	-	(222,800)
Endowment distributions	755,040	6,111,366	-	6,866,406
Region offices' revenue	1,288,740	-	-	1,288,740
Services and other revenue	14,965,028	-	-	14,965,028
Lease income	1,453,435	-	-	1,453,435
Miscellaneous income	56,277	-	8,447	64,724
Total other revenue	<u>21,028,753</u>	<u>6,338,066</u>	<u>8,447</u>	<u>27,375,266</u>
Net assets released from restrictions				
Satisfaction of program restrictions (Note 14)	36,987,500	(36,987,500)	-	-
Income expended from				
investments held in perpetuity	3,111,540	(3,111,540)	-	-
Change in donor designation	-	(104,529)	(1,245,427)	(1,349,956)
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>
Total operating revenue and support	<u>125,572,263</u>	<u>7,052,939</u>	<u>7,858,233</u>	<u>140,483,435</u>
Operating expenses				
Program services				
Congregational and Synodical Mission	42,418,866	-	-	42,418,866
Global Mission	40,097,481	-	-	40,097,481
Mission Advancement	4,292,846	-	-	4,292,846
Church periodicals	2,942,788	-	-	2,942,788
Office of the Presiding Bishop	2,774,375	-	-	2,774,375
Region Offices' expense	1,168,410	-	-	1,168,410
Retiree's pension expense	(356,261)	-	-	(356,261)
Post-retirement health care				
benefits (Note 10)	2,500,000	-	-	2,500,000
Total program services	<u>95,838,505</u>	<u>-</u>	<u>-</u>	<u>95,838,505</u>

(Continued)

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

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 3,095,092	\$ -	\$ -	\$ 3,095,092
Office of the Treasurer	7,226,299	-	-	7,226,299
Office of the Secretary	4,106,458	-	-	4,106,458
Mission Advancement	<u>2,838,418</u>	<u>-</u>	<u>-</u>	<u>2,838,418</u>
Total management and general	<u>17,266,267</u>	<u>-</u>	<u>-</u>	<u>17,266,267</u>
Fundraising				
Mission Advancement	<u>4,397,877</u>	<u>-</u>	<u>-</u>	<u>4,397,877</u>
Total fundraising	<u>4,397,877</u>	<u>-</u>	<u>-</u>	<u>4,397,877</u>
Total operating expenses	<u>117,502,649</u>	<u>-</u>	<u>-</u>	<u>117,502,649</u>
Net operating revenue and support less operating expenses	8,069,614	7,052,939	7,858,233	22,980,786
Non-operating transactions:				
Recovery of under water endowment balances (Note 21)	5,288,650	(5,288,650)	-	-
Dividend and interest income	13,346,613	340,132	-	13,686,745
Realized gains	10,212,091	1,829,108	-	12,041,199
Other endowment distributions and investing expenses	(20,272,941)	(6,111,366)	-	(26,384,307)
Unrealized gains	1,703,236	15,076,614	1,199,505	17,979,355
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	839,229	839,229
Change in value of split interest agreements	-	(2,560,798)	(672,303)	(3,233,101)
Total non-operating transactions	<u>10,277,649</u>	<u>3,285,040</u>	<u>1,366,431</u>	<u>14,929,120</u>
Changes in net assets	18,347,263	10,337,979	9,224,664	37,909,906
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>
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>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended January 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 41,745,080	\$ 37,909,906
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,907,766	2,437,573
Gain on investments, net	(95,814,923)	(75,442,287)
Acquisition of investments through gifts	(794,470)	(1,147,902)
Gifts restricted for long-term investment	(6,654,864)	(8,410,888)
Gain on beneficial interest in perpetual trusts	(3,270,433)	(893,039)
Currency exchange loss (gain) on overseas loan	21,148	(35,891)
Increase in allowance on notes	-	(353,161)
Changes in		
Accounts receivable	(252,455)	(1,244,009)
Interest receivable	115,623	155,773
Prepaid expenses and other assets	28,816	(1,160,026)
Accounts payable	(198,287)	(1,754,876)
Deferred revenue	(1,276,734)	(5,870,762)
Due to related organizations	(356,900)	387,210
Accrued liabilities	(421,136)	(329,609)
Funds held for others	19,635,986	22,163,954
Funds held for others in perpetuity	<u>9,232,321</u>	<u>10,316,665</u>
Net cash used in operating activities	<u>(35,353,462)</u>	<u>(23,271,369)</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(2,541,540)	(1,521,544)
Issuance of mortgages, notes, and contracts for deed	(265,277)	(39,484)
Payments received on mortgages, notes, and contracts for deed	1,840,638	588,208
Payments received on overseas church construction loans	250,759	178,241
Purchase of investments	(48,115,178)	(43,352,244)
Proceeds from sale of investments	<u>87,963,964</u>	<u>63,311,628</u>
Net cash provided by investing activities	<u>39,133,366</u>	<u>19,164,805</u>
Cash flows from financing activities		
Proceeds from gifts restricted for long-term investment	6,654,864	8,410,888
Annuities payable	(5,297,456)	(2,343,574)
Payments on mortgage payable, notes payable, and capital leases	<u>(94,450)</u>	<u>(95,723)</u>
Net cash provided by financing activities	<u>1,262,958</u>	<u>5,971,591</u>
Increase in cash and cash equivalents	5,042,862	1,865,027
Cash and cash equivalents at beginning of year	<u>38,468,608</u>	<u>36,603,581</u>
Cash and cash equivalents at end of year	<u>\$ 43,511,470</u>	<u>\$ 38,468,608</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 4,130	\$ 5,033
Gifts of investments	794,470	1,147,902

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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 power 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, 2014 and 2013

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, 2014 and 2013.

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, 2014 and 2013.

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, 2011. 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.

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2014 and 2013, were \$7,492,492 and \$7,401,426, respectively, relating to synods' contributions for mission support, world hunger appeal, global church 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Investments in pools	\$ 524,333,191	\$ 461,047,148
Direct investments		
Equity securities		
U.S. equity securities	29,822,158	28,365,290
Non-U.S. equity securities	12,466,002	12,558,658
Fixed income securities		
U.S. government obligations	53,489,549	54,940,405
Corporate bonds	81,583,282	87,818,412
Mission Investment Fund	1,636,815	1,658,903
Real estate investments (at cost)	2,614,810	1,708,114
Other	<u>135,127</u>	<u>1,591,910</u>
	<u>\$ 706,080,934</u>	<u>\$ 649,688,840</u>

Out of the \$706,080,934 and \$649,688,840 of total investments held at January 31, 2014 and 2013, \$668,548,941 and \$611,053,710 are valued at December 31, 2013 and 2012, respectively. 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 \$4,759,881 and \$4,160,952 for the years ended January 31, 2014 and 2013, respectively.

The Church is a pass-through entity for investment income related to certain deferred gift investments managed and distributed by an external financial institution. In relation to these investments, there were realized gains of approximately \$865,300 and \$908,000 on temporarily restricted investments and \$951,200 and \$1,105,900 on permanently restricted investments for the years ended January 31, 2014 and 2013, 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 \$2,568,900 and \$4,985,600 on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2014 and 2013, 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.

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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).

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).

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2014 and 2013:

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in pools	\$ -	\$ 524,333,191	\$ -	\$ 524,333,191
Direct investments				
Equity securities				
U.S. equity securities	29,552,446	269,713	-	29,822,159
Non-U.S. equity securities	11,539,786	926,216	-	12,466,002
Fixed income securities				
U.S. government obligations	53,489,549	-	-	53,489,549
Corporate bonds	-	81,583,281	-	81,583,281
Mission Investment Fund	-	1,636,815	-	1,636,815
Other	26,262	108,865	-	135,127
Investments held at fair value	<u>\$ 94,608,043</u>	<u>\$ 608,858,081</u>	<u>\$ -</u>	<u>703,466,124</u>
Physical real estate held at cost*				2,614,810
Total investments				<u>\$ 706,080,934</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,874,000</u>	<u>\$ 19,874,000</u>
	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

* Physical real estate investments, comprised of land and building held by the Church at cost, were \$2,614,810 and \$1,708,114 as of January 31, 2014 and 2013, 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, 2012, through January 31, 2014:

Balance as of February 1, 2012	\$ 15,710,528
Unrealized losses	
Funds held for others	53,810
Permanently restricted	<u>839,229</u>
Balance as of February 1, 2013	\$ 16,603,567
Unrealized gains	
Funds held for others	(109,436)
Permanently restricted	<u>3,379,869</u>
Balance as of January 31, 2014	<u><u>\$ 19,874,000</u></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, 2014 and 2013, that are still held at January 31, 2014 and 2013, totaled \$(109,436) and \$53,810, 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.

Investments in pools are allocated to the following asset categories at January 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investments in pools		
Common stocks	\$ 206,265,131	\$ 163,243,460
Non-U.S. stocks	130,344,752	109,183,272
Government and corporate bonds	70,316,432	70,892,983
Inflation-indexed securities	23,195,630	23,482,935
High-yield securities	48,674,538	46,612,095
Real estate investment securities	45,361,406	47,124,509
Other	<u>175,302</u>	<u>507,895</u>
Total investment pools	<u><u>\$ 524,333,191</u></u>	<u><u>\$ 461,047,148</u></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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2013 are:

The 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 Investment Advisors (13% to 17%); Hotchkis and Wiley Capital Management (13% to 17%); LSV Asset Management (3% to 5%); and Frontier Capital Management (3% to 5%).

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 the following investment advisors: State Street Global Advisors (28% to 32%); AQR Capital Management (11% to 21%); Mondrian Investment Partners (18% to 22%); Baillie Gifford Overseas Limited (18% to 22%); Acadian Asset Management (+/-2% of half of the small cap weight in the Morgan Stanley Capital International All-Country World ex-U.S. Investable Market Index (Index) or generally 5% to 9%); and T. Rowe Price (+/-2% of half of the small cap weight in the Index or generally 5% to 9%). The small cap weight in the previously mentioned Index floats with the changes in the market cap of small cap stocks relative to large cap stocks.

The fixed income securities portfolio is invested in the Investment Advisor's Social Purpose Investment Grade Bond Pool, which is managed by the following investment advisors: the ELCA Board of Pensions, doing business as Portico Benefit Services (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 the following investment advisors: Allianz Global Investors U.S., LLC (34% to 45%); T. Rowe Price Associates, Inc. (35% to 45%); and Loomis, Sayles & Company, LP (15% to 25%).

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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Years ended January 31, 2014 and 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 Duff & Phelps (55% to 65%) and EII Capital Management (35 to 45%).

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, 2013 and 2012, 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, 2014 and 2013, are summarized as follows:

	<u>Interest Rates</u>	<u>2014</u>	<u>2013</u>
Real estate mortgages held by trusts	5.0%-8.3%	\$ 905,000	\$ 1,088,502
Direct loans	2%	-	50,000
Indirect loans	1.0% - 2.5%	1,610,000	3,239,164
Partnership support loans to congregations	0%	284,727	47,422
Less: allowance for doubtful accounts		<u>(150,000)</u>	<u>(568,513)</u>
Total		<u>\$ 2,649,727</u>	<u>\$ 3,856,575</u>

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.

Indirect loans are given to Community Development Financial 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.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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Years ended January 31, 2014 and 2013

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

Concentration of Credit Risk: There are no delinquencies with the mortgage notes held by trusts, direct loans or congregations as of January 31, 2014. There is one loan past due for indirect loans for a total of approximately \$150,000 for a period greater than 1 year. The Church uses the specific identification method for the allowance for doubtful accounts, and the 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.

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 September 1, 2022. The balances of overseas church construction loans outstanding as of January 31, 2014 and 2013 are \$864,107 and \$1,136,013, 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, 2014 and 2013, there was approximately \$12,000 and \$9,000 past due, some 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>2014</u>	<u>2013</u>
Middle East	\$ 146,933	\$ 187,889
Asia/Pacific	212,077	323,809
Latin America/Caribbean	492,758	600,230
Europe	<u>12,339</u>	<u>24,085</u>
Total overseas construction loans	<u>\$ 864,107</u>	<u>\$ 1,136,013</u>

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, 2014 and 2013 are presented below:

	<u>2014</u>	<u>2013</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	46,317,147	44,862,870
Furniture and equipment	<u>10,486,781</u>	<u>9,399,518</u>
	56,936,928	54,395,388
Less accumulated depreciation	<u>(27,086,695)</u>	<u>(24,345,528)</u>
Totals	<u>\$ 29,850,233</u>	<u>\$ 30,049,860</u>

Depreciation expense for the years ended January 31, 2014 and 2013 was \$2,907,766 and \$2,437,573, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

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.

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.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

A summary of recorded amounts related to these arrangements as of December 31, 2013 and 2012, is as follows:

	2013		2012	
	Deferred Revenue	Annuity Payable	Deferred Revenue	Annuity Payable
Charitable remainder annuity trusts	\$ -	\$ 1,850,396	\$ -	\$ 1,957,738
Charitable remainder unitrusts	-	39,467,311	-	39,976,145
Charitable gift annuities	-	49,227,749	-	53,909,029
Pooled income funds	877,173	-	836,855	-
Life income funds	66,605	-	69,794	-
Life income estates	88,275	-	69,072	-
	<u>\$ 1,032,053</u>	<u>\$ 90,545,456</u>	<u>\$ 975,721</u>	<u>\$ 95,842,912</u>

The summary of recorded amounts listed above is as of December 31, 2013 and 2012, which management believes is not materially different than if the amounts were recorded as of January 31, 2014 and 2013.

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.

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 \$114,000 and \$93,000 for the years ended January 31, 2014 and 2013, 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, 2014 and 2013, were \$2,933,427 and \$2,939,326, respectively. All contributions to the plan are funded on a current basis.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

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, 2014 and 2013, 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, 2015, are expected to be zero.

During 2014, \$222,245 was paid in benefits to members and survivors under these plans. The total actuarial liability as of January 31, 2014 was \$1,275,949, and plan assets were \$3,236,440, which resulted in excess plan assets over actuarial liabilities of \$1,960,491. The assumed long-term rate of investment return for minimum and non-contributory benefits was 3.45% and 2.70% at January 31, 2014 and 2013, respectively.

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>
2014	\$ 204,392
2015	181,322
2016	160,391
2017	141,439
2018	124,297
2019-2023	<u>419,323</u>
	<u>\$ 1,231,164</u>

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 11,500 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 agreement 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, 2013 and 2012, include the trust assets of approximately \$105,908,000 and \$100,032,000, respectively, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$148,504,000 and \$162,795,000, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

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

The Church contributed \$2,500,000 during fiscal years ended January 31, 2014 and 2013, toward the funding of this post-retirement health care benefit, and expects to contribute \$2,500,000 during the fiscal year ending January 31, 2015. During fiscal years ended January 31, 2014 and 2013, 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, 2015, are expected to be about \$4,900,000. 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 2016 and 2020 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 4.56% to 6.56%.

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 \$407,668 and \$294,555 for the years ended January 31, 2014 and 2013, 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>
2015	\$ 245,883	\$ 8,471	\$ 254,354
2016	248,887	771	249,658
2017	251,655	-	251,655
2018	<u>122,307</u>	<u>-</u>	<u>122,307</u>
Total	<u>\$ 868,732</u>	<u>\$ 9,242</u>	<u>\$ 877,974</u>

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>	
2015	\$ 13,800
2016	13,800
2017	13,800
2018	<u>4,734</u>
Total minimum lease payments	<u>\$ 46,134</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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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. During the year ended January 31, 2014, the Church sold an art collection for a gain of approximately \$1,300,000.

NOTE 13 - LINE OF CREDIT

At January 31, 2014, 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, 2014 or 2013, or during the years then ended.

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>2014</u>	<u>2013</u>
Satisfaction of program restrictions:		
World Hunger	\$ 22,417,965	\$ 19,745,520
Disaster Relief	9,157,423	10,470,321
Congregational and Synodical Mission	424,656	2,228,912
Global Mission	1,710,068	1,421,854
Office of the Presiding Bishop	175,447	133,574
Other programs	<u>36,976</u>	<u>2,987,318</u>
 Satisfaction of program restrictions	 <u>\$ 33,922,535</u>	 <u>\$ 36,987,500</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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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>2014</u>	<u>2013</u>
Region 1 – Northwest area	\$ 2,152,654	\$ 2,106,560
Region 2 – Southwest area	4,288,176	4,259,783
Region 3 – Northwest Midwest area	7,444,921	7,439,340
Region 4 – Southwest Midwest area	4,903,129	4,936,681
Region 5 – Northeast Midwest area	10,265,249	10,624,358
Region 6 – Southeast Midwest area	4,287,159	4,437,876
Region 7 – Northeast area	5,382,092	5,572,023
Region 8 – East area	5,334,716	5,599,840
Region 9 – Southeast area	<u>4,761,283</u>	<u>4,895,362</u>
 Total synod mission support	 <u>\$ 48,819,379</u>	 <u>\$ 49,871,823</u>

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, 2014. 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, 2014.

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 \$106,406,000 and 111,600,000 versus a carrying value of approximately \$90,545,000 and 93,300,000 at January 31, 2014 and 2013, respectively.

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

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 - SECURITIES LOANED

The Church previously had an agreement which ended during fiscal year 2013, 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.

The ELCA earned approximately \$122,000 and \$132,000 in fees for the fiscal years ended 2014 and 2013, respectively.

NOTE 18 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at January 31:

	<u>2014</u>	<u>2013</u>
General	\$ 41,737,346	\$ 41,072,877
Funds functioning as endowment (Note 21)	26,479,950	22,128,625
Underwater portion of donor-restricted endowment funds (Note 21)	(331,710)	(2,671,479)
Net investment in property, furniture, equipment and building	<u>29,660,744</u>	<u>29,932,521</u>
	<u>\$ 97,546,330</u>	<u>\$ 90,462,544</u>

NOTE 19 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Program-restricted:		
Disaster Relief	\$ 17,592,073	\$ 16,791,509
World Hunger	8,377,775	6,776,425
Office of the Presiding Bishop	272,107	367,746
Congregational & Synodical Mission	8,632,804	7,903,529
Global Mission	2,843,190	2,748,404
Mission Advancement	773,630	486,360
Other programs	<u>4,647</u>	<u>21,688</u>
	38,496,226	35,095,661
Time-restricted, expendable in subsequent years	<u>102,056,370</u>	<u>79,789,306</u>
	<u>\$ 140,552,596</u>	<u>\$ 114,884,967</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 20 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

	<u>2014</u>	<u>2013</u>
Investments in perpetuity, the income from which is expendable (Note 21)	\$ 155,076,937	\$ 144,792,044
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	13,543,953	14,859,598
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,059,946</u>	<u>2,035,529</u>
	<u>\$ 170,680,836</u>	<u>\$ 161,687,171</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 \$22,588,000 and \$54,624,000 at December 31, 2013 and 2012, respectively. At December 31, 2013, a cumulative loss of approximately \$332,000 was reported in unrestricted net assets to re-establish underwater endowment balances in accordance with governing accounting principles. During the current year, approximately \$2,371,000 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, 2014 and 2013

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, 2014 and 2013, 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 2015 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, 2013, 388 of 2,015 accounts had accumulated undistributed earnings compared to 1,359 of 1,932 at December 31, 2012.

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, 2014 and 2013

NOTE 21 - ENDOWMENT FUNDS (Continued)

Net asset composition by type of endowment fund as of January 31, 2014 and 2013:

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (331,710)	\$ 87,929,584	\$ 155,076,937	\$ 242,674,811
Funds functioning as endowment	<u>26,479,950</u>	<u>-</u>	<u>-</u>	<u>26,479,950</u>
	<u>\$ 26,148,240</u>	<u>\$ 87,929,584</u>	<u>\$ 155,076,937</u>	<u>\$ 269,154,761</u>
	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (2,671,479)	\$ 64,781,430	\$ 144,792,044	\$ 206,901,995
Funds functioning as endowment	<u>22,128,625</u>	<u>-</u>	<u>-</u>	<u>22,128,625</u>
	<u>\$ 19,457,146</u>	<u>\$ 64,781,430</u>	<u>\$ 144,792,044</u>	<u>\$ 229,030,620</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, 2014 and 2013

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, 2013	\$ 19,457,146	\$ 64,781,430	\$ 144,792,044	\$ 229,030,620
Investment return:				
Net investment income	7,885,690	1,288,659	-	9,174,349
Net gain in fair value (realized and unrealized)	<u>22,736,268</u>	<u>21,556,779</u>	<u>3,379,869</u>	<u>47,672,916</u>
Total investment return	<u>30,621,958</u>	<u>22,845,438</u>	<u>3,379,869</u>	<u>56,847,265</u>
New gifts	3,148,765	6,534,510	6,654,864	16,338,139
Net assets released from restriction	3,386,037	(3,860,815)	250,160	(224,618)
Other changes				
Distribution of endowment income	<u>(32,836,645)</u>	<u>-</u>	<u>-</u>	<u>(32,836,645)</u>
Total other changes	<u>(32,836,645)</u>	<u>-</u>	<u>-</u>	<u>(32,836,645)</u>
Recovery of endowment balance	<u>2,370,979</u>	<u>(2,370,979)</u>	<u>-</u>	<u>-</u>
Net assets, January 31, 2014	<u>26,148,240</u>	<u>87,929,584</u>	<u>155,076,937</u>	<u>269,154,761</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>2,059,946</u>	<u>2,059,946</u>
Net assets, January 31, 2014	<u>\$ 26,148,240</u>	<u>\$ 87,929,584</u>	<u>\$ 157,136,883</u>	<u>\$ 271,214,707</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

NOTE 21 - ENDOWMENT FUNDS (Continued)

	<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>-</u>	<u>-</u>	<u>(24,252,262)</u>
Total other changes	<u>(24,252,262)</u>	<u>-</u>	<u>-</u>	<u>(24,252,262)</u>
 Recovery of endowment balance	 <u>5,288,650</u>	 <u>(5,288,650)</u>	 <u>-</u>	 <u>-</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>-</u>	<u>-</u>	<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>

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. 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, 2014, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2014. Management has performed their analysis through June 4, 2014, 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, 2014

	General Operating and Other Restricted Funds	Endowment Funds	Deferred Gift Funds	Total
ASSETS				
Cash and cash equivalents	\$ 30,311,208	\$ 7,096,924	\$ 6,103,338	\$ 43,511,470
Accounts receivable	10,507,809	1,003	129,709	10,638,521
Interest receivable	157,365	-	655,948	813,313
Investments	37,531,993	516,822,999	151,725,942	706,080,934
Prepaid expenses and other assets	6,238,502	3,834,042	1,016,087	11,088,631
Mortgages, notes, and contracts for deed, net	1,744,727	-	905,000	2,649,727
Overseas church construction loans, net	864,107	-	-	864,107
Property, furniture, and equipment, net	29,850,233	-	-	29,850,233
Beneficial interest in perpetual trusts	-	18,816,800	1,057,200	19,874,000
Total assets	<u>\$ 117,205,944</u>	<u>\$ 546,571,768</u>	<u>\$ 161,593,224</u>	<u>\$ 825,370,936</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 3,457,309	\$ 11,758	\$ 28,219	\$ 3,497,286
Deferred revenue	688,828	409,303	1,032,053	2,130,184
Due to related organizations	(361,307)	949,109	222,035	809,837
Accrued liabilities	1,956,811	-	100	1,956,911
Annuities payable	-	-	90,545,456	90,545,456
Note payable	189,489	-	-	189,489
Funds held for others	17,990	209,115,915	43,457,130	252,591,035
Funds held for others in perpetuity	-	64,870,976	-	64,870,976
Total liabilities	<u>5,949,120</u>	<u>275,357,061</u>	<u>135,284,993</u>	<u>416,591,174</u>
Net assets				
Unrestricted	71,184,106	26,148,240	213,984	97,546,330
Temporarily restricted	40,072,718	87,929,584	12,550,294	140,552,596
Permanently restricted	-	157,136,883	13,543,953	170,680,836
Total net assets	<u>111,256,824</u>	<u>271,214,707</u>	<u>26,308,231</u>	<u>408,779,762</u>
Total liabilities and net assets	<u>\$ 117,205,944</u>	<u>\$ 546,571,768</u>	<u>\$ 161,593,224</u>	<u>\$ 825,370,936</u>

See accompanying Independent Auditors' Report.

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

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift <u>Funds</u>	<u>Total</u>
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 Independent Auditor's Report.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED SCHEDULES OF EXPENSES BY OBJECT
Years ended January 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Financial support - grants	\$ 53,120,368	\$ 55,310,808
Compensation		
Central staff	21,986,020	20,390,629
Missionaries	2,819,323	2,557,107
Employee benefits		
Central staff	9,699,743	9,317,153
Missionaries	1,383,833	1,370,882
Retiree pension expenses	(90,919)	(356,261)
Postretirement health care benefits	2,500,000	2,500,000
Travel - staff, board, and committees	4,219,646	4,082,828
Special events	2,769,514	6,811,897
Office expenses	851,014	921,944
Printing/duplicating	2,677,267	2,663,751
Purchased services	3,765,226	4,835,674
Regional office expenses	1,319,081	1,168,410
Insurance	621,880	573,244
Interest expense	9,436	5,033
Facilities and utilities	2,361,702	2,175,023
Non-capitalized equipment, repairs, and rentals	980,928	783,271
Depreciation	2,741,209	2,437,573
Miscellaneous	<u>146,317</u>	<u>369,775</u>
 Total operating expenses	 <u>113,881,588</u>	 <u>117,918,741</u>
 Investment expense	 1,710,029	 1,299,861
Endowment interest payments and distribution	<u>25,798,974</u>	<u>17,486,016</u>
 Total expenses	 <u>\$ 141,390,591</u>	 <u>\$ 136,704,618</u>

See accompanying Independent Auditor's Report.

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

CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2015 and 2014



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES

CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2015 and 2014

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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 Lutheran Church in America (the Church), which comprise the consolidated statements of financial position as of January 31, 2015 and 2014, 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 Lutheran Church in America as of January 31, 2015 and 2014, 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.

Emphasis of Matter

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, 2015 and 2014, 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 opinion is not modified with respect to this matter.

Other Matter

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 consolidated financial statements. The accompanying supplementary 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.


Crowe Horwath LLP

Chicago, Illinois
June 3, 2015

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
January 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 48,468,936	\$ 43,511,470
Accounts receivable (Note 2)	9,369,907	10,638,521
Interest receivable	755,551	813,313
Due from related organizations	692,374	-
Investments (Note 3)	760,611,290	706,080,934
Prepaid expenses and other assets	11,611,013	11,088,631
Mortgages, notes, and contracts for deed, net (Note 4)	1,561,463	2,649,727
Overseas church construction loans (Note 5)	668,002	864,107
Property, furniture, and equipment, net (Note 6)	29,631,027	29,850,233
Beneficial interest in perpetual trusts (Note 3)	<u>22,422,568</u>	<u>19,874,000</u>
 Total assets	 <u>\$ 885,792,131</u>	 <u>\$ 825,370,936</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 4,350,069	\$ 3,497,286
Deferred revenue	5,476,832	2,130,184
Due to related organizations	-	809,837
Accrued liabilities	1,914,956	1,956,911
Annuities payable (Note 7)	86,046,931	90,545,456
Notes payable	104,200	189,489
Funds held for others	288,242,822	252,591,035
Funds held for others in perpetuity	<u>71,947,873</u>	<u>64,870,976</u>
Total liabilities	<u>458,083,683</u>	<u>416,591,174</u>
 Net assets		
Unrestricted (Note 18)	100,908,378	97,546,330
Temporarily restricted (Note 19)	146,559,014	140,552,596
Permanently restricted (Note 20)	<u>180,241,056</u>	<u>170,680,836</u>
Total net assets	<u>427,708,448</u>	<u>408,779,762</u>
 Total liabilities and net assets	 <u>\$ 885,792,131</u>	 <u>\$ 825,370,936</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2015

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 48,408,510	\$ -	\$ -	\$ 48,408,510
World Hunger Appeal	-	19,741,407	-	19,741,407
Global Church sponsorship	3,192,142	103	-	3,192,245
Disaster relief	-	4,133,377	-	4,133,377
Vision for Mission	1,459,278	-	-	1,459,278
Deferred gift contributions	-	271,459	399,630	671,089
Endowment contributions	2,148,162	4,722,199	6,791,989	13,662,350
Mission Investment Fund	1,800,000	-	-	1,800,000
Bequests, trusts, and residuums	2,813,737	2,055,635	-	4,869,372
Grants—corporate and other	30,035	4,116,956	-	4,146,991
Other gifts	1,031,968	4,839,516	-	5,871,484
Total contributed revenue	<u>60,883,832</u>	<u>39,880,652</u>	<u>7,191,619</u>	<u>107,956,103</u>
Other revenue				
Dividend & interest income	3,100,537	87,707	-	3,188,244
Realized gains (loss)	1,236,069	-	-	1,236,069
Unrealized gains (loss)	58,686	-	-	58,686
Endowment distributions	846,050	7,800,069	-	8,646,119
Regional offices' revenue	1,111,186	-	-	1,111,186
Services and other revenue	4,575,167	-	-	4,575,167
Lease income	1,508,580	-	-	1,508,580
Miscellaneous income	182,716	-	-	182,716
Total other revenue	<u>12,618,991</u>	<u>7,887,776</u>	<u>-</u>	<u>20,506,767</u>
Net assets released from restrictions				
Satisfaction of program restrictions (Note 14)	35,836,857	(35,836,857)	-	-
Income expended from investments held in perpetuity	3,743,206	(3,743,206)	-	-
Change in donor designation	-	54,430	(53,597)	833
Net assets released from restrictions	<u>39,580,063</u>	<u>(39,525,633)</u>	<u>(53,597)</u>	<u>833</u>
Total operating revenue and support	<u>113,082,886</u>	<u>8,242,795</u>	<u>7,138,022</u>	<u>128,463,703</u>
Operating expenses				
Program services				
Congregational and Synodical Mission	40,350,805	-	-	40,350,805
Global Mission	36,796,929	-	-	36,796,929
Mission Advancement	4,237,307	-	-	4,237,307
Church periodicals	2,408,465	-	-	2,408,465
Office of the Presiding Bishop	2,949,694	-	-	2,949,694
Regional offices' expense	1,151,461	-	-	1,151,461
Retiree's pension	(225,809)	-	-	(225,809)
Post-retirement health care benefits (Note 10)	4,000,000	-	-	4,000,000
Total program services	<u>91,668,852</u>	<u>-</u>	<u>-</u>	<u>91,668,852</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2015

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 3,734,626	\$ -	\$ -	\$ 3,734,626
Office of the Treasurer	8,129,483	-	-	8,129,483
Office of the Secretary	3,328,872	-	-	3,328,872
Mission Advancement	<u>2,897,017</u>	<u>-</u>	<u>-</u>	<u>2,897,017</u>
Total management and general	<u>18,089,998</u>	<u>-</u>	<u>-</u>	<u>18,089,998</u>
Fundraising				
Mission Advancement	<u>6,260,624</u>	<u>-</u>	<u>-</u>	<u>6,260,624</u>
Total fundraising	<u>6,260,624</u>	<u>-</u>	<u>-</u>	<u>6,260,624</u>
Total operating expenses	<u>116,019,474</u>	<u>-</u>	<u>-</u>	<u>116,019,474</u>
Net operating revenue and support less operating expenses	(2,936,588)	8,242,795	7,138,022	12,444,229
Non-operating transactions				
Recovery of underwater endowment balances (Note 21)	334,467	(334,467)	-	-
Dividend and interest income	15,015,767	2,443,409	-	17,459,176
Realized gains (loss)	31,356,898	11,304,035	(17,465)	42,643,468
Endowment distributions and other investing expenses	(39,321,122)	(7,662,457)	-	(46,983,579)
Unrealized gains (losses)	(1,087,374)	(8,182,920)	(278,380)	(9,548,674)
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	2,598,947	2,598,947
Change in value of split interest agreements	<u>-</u>	<u>196,023</u>	<u>119,096</u>	<u>315,119</u>
Total non-operating transactions	<u>6,298,636</u>	<u>(2,236,377)</u>	<u>2,422,198</u>	<u>6,484,457</u>
Changes in net assets	3,362,048	6,006,418	9,560,220	18,928,686
Net assets at beginning of year	<u>97,546,330</u>	<u>140,552,596</u>	<u>170,680,836</u>	<u>408,779,762</u>
Net assets at end of year	<u>\$100,908,378</u>	<u>\$146,559,014</u>	<u>\$180,241,056</u>	<u>\$427,708,448</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 48,819,379	\$ -	\$ -	\$ 48,819,379
World Hunger Appeal	-	21,431,854	-	21,431,854
Global Church sponsorship	2,951,757	-	-	2,951,757
Disaster relief	-	9,024,865	-	9,024,865
Vision for Mission	1,378,121	-	-	1,378,121
Deferred gift contributions	-	327,932	501,167	829,099
Endowment contributions	637,439	6,534,510	6,654,864	13,826,813
Mission Investment Fund	2,000,000	35,000	-	2,035,000
Bequests, trusts, and residuums	5,383,048	1,790,956	-	7,174,004
Grants—corporate and other	712,500	1,486,212	-	2,198,712
Other gifts	1,143,730	2,289,505	-	3,433,235
Total contributed revenue	63,025,974	42,920,834	7,156,031	113,102,839
Other revenue				
Dividend & Interest Income	3,533,191	134,129	-	3,667,320
Realized loss	(207,853)	-	-	(207,853)
Unrealized loss	(338,690)	-	-	(338,690)
Endowment Distributions	760,140	6,331,619	-	7,091,759
Regional offices' revenue	1,186,363	-	-	1,186,363
Services and other revenue	4,817,370	-	-	4,817,370
Lease income	1,472,327	-	-	1,472,327
Miscellaneous income	1,323,390	-	24,417	1,347,807
Total other revenue	12,546,238	6,465,748	24,417	19,036,403
Net assets released from restrictions				
Satisfaction of program restrictions (Note 14)	33,922,535	(33,922,535)	-	-
Income expended from investments held in perpetuity	2,233,352	(2,233,352)	-	-
Change in donor designation	-	(474,778)	250,160	(224,618)
Net assets released from restrictions	36,155,887	(36,630,665)	250,160	(224,618)
Total operating revenue and support	111,728,099	12,755,917	7,430,608	131,914,624
Operating expenses				
Program services				
Congregational and Synodical Mission	37,386,008	-	-	37,386,008
Global Mission	37,180,960	-	-	37,180,960
Mission Advancement	5,867,823	-	-	5,867,823
Church periodicals	2,509,675	-	-	2,509,675
Office of the Presiding Bishop	2,783,648	-	-	2,783,648
Regional Offices' expense	1,319,081	-	-	1,319,081
Retiree's pension expense	(90,919)	-	-	(90,919)
Post-retirement health care benefits (Note 10)	2,500,000	-	-	2,500,000
Total program services	89,456,276	-	-	89,456,276

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2014

	2014			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 3,671,700	\$ -	\$ -	\$ 3,671,700
Office of the Treasurer	8,036,168	-	-	8,036,168
Office of the Secretary	5,965,565	-	-	5,965,565
Mission Advancement	<u>2,194,764</u>	<u>-</u>	<u>-</u>	<u>2,194,764</u>
Total management and general	<u>19,868,197</u>	<u>-</u>	<u>-</u>	<u>19,868,197</u>
Fundraising				
Mission Advancement	<u>4,322,398</u>	<u>-</u>	<u>-</u>	<u>4,322,398</u>
Total fundraising	<u>4,322,398</u>	<u>-</u>	<u>-</u>	<u>4,322,398</u>
Total operating expenses	<u>113,646,871</u>	<u>-</u>	<u>-</u>	<u>113,646,871</u>
Net operating revenue and support less operating expenses	(1,918,772)	12,755,917	7,430,608	18,267,753
Non-operating transactions:				
Recovery of underwater endowment balances (Note 21)	2,370,979	(2,370,979)	-	-
Dividend and interest income	12,579,800	1,288,659	-	13,868,459
Realized gains	21,015,305	6,658,335	-	27,673,640
Endowment distributions and other investing expenses	(28,684,489)	(6,331,619)	-	(35,016,108)
Unrealized gains	1,720,963	15,345,199	643,505	17,709,667
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	3,379,869	3,379,869
Change in value of split interest agreements	<u>-</u>	<u>(1,677,883)</u>	<u>(2,460,317)</u>	<u>(4,138,200)</u>
Total non-operating transactions	<u>9,002,558</u>	<u>12,911,712</u>	<u>1,563,057</u>	<u>23,477,327</u>
Changes in net assets	7,083,786	25,667,629	8,993,665	41,745,080
Net assets at beginning of year	<u>90,462,544</u>	<u>114,884,967</u>	<u>161,687,171</u>	<u>367,034,682</u>
Net assets at end of year	<u>\$ 97,546,330</u>	<u>\$140,552,596</u>	<u>\$170,680,836</u>	<u>\$408,779,762</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 18,928,686	\$ 41,745,080
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,924,721	2,907,766
Gain on investments, net	(70,606,931)	(95,814,923)
Acquisition of investments through gifts	(255,436)	(794,470)
Gifts restricted for long-term investment	(6,791,989)	(6,654,864)
Gain on beneficial interest in perpetual trusts	(2,548,568)	(3,270,433)
Currency exchange (gain)/loss on overseas loan	(17,487)	21,147
Changes in		
Accounts receivable	1,268,614	(252,455)
Interest receivable	57,762	115,623
Prepaid expenses and other assets	(522,382)	28,816
Accounts payable	852,783	(198,287)
Deferred revenue	3,346,648	(1,276,734)
Due to/from related organizations	(1,502,211)	(356,900)
Accrued liabilities	(41,955)	(421,135)
Funds held for others	35,651,787	19,635,986
Funds held for others in perpetuity	<u>7,076,897</u>	<u>9,232,321</u>
Net cash used in operating activities	(12,179,061)	(35,353,462)
Cash flows from investing activities		
Purchase and acquisition of equipment	(2,705,516)	(2,541,540)
Issuance of mortgages, notes, and contracts for deed	-	(265,277)
Payments received on mortgages, notes, and contracts for deed	1,088,264	1,840,638
Payments received on overseas church construction loans	213,592	250,759
Purchase of investments	(76,129,808)	(48,115,178)
Proceeds from sale of investments	<u>92,461,819</u>	<u>87,963,964</u>
Net cash provided by investing activities	14,928,351	39,133,366
Cash flows from financing activities		
Proceeds from gifts restricted for long-term investment	6,791,989	6,654,864
Annuities payable	(4,498,525)	(5,297,456)
Payments on mortgage payable, notes payable, and capital leases	<u>(85,288)</u>	<u>(94,450)</u>
Net cash provided by financing activities	<u>2,208,176</u>	<u>1,262,958</u>
Increase in cash and cash equivalents	4,957,466	5,042,862
Cash and cash equivalents at beginning of year	<u>43,511,470</u>	<u>38,468,608</u>
Cash and cash equivalents at end of year	<u>\$ 48,468,936</u>	<u>\$ 43,511,470</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 3,101	\$ 4,130
Gifts of investments	255,436	794,470

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, 2015 and 2014

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, 2015 and 2014

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, mutual funds, and investments in pools. 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, 2015 and 2014

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 power 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 non-missionary 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, 2015 and 2014

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, 2015 and 2014.

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, 2015 and 2014.

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, 2011. 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.

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2015 and 2014, were \$6,554,369 and \$7,492,492, respectively, relating to synods' contributions for mission support, world hunger appeal, global church 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2015 and 2014

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Investments in pools		
Common stocks	\$ 203,964,551	\$ 206,265,131
Non-U.S. stocks	142,600,143	130,344,752
Government and corporate bonds	89,064,802	70,316,432
Inflation-indexed securities	29,230,663	23,195,630
High-yield securities	58,429,046	48,674,538
Real estate investment securities	58,126,184	45,361,406
Other	288,827	175,302
Direct investments		
Equity securities		
U.S. equity securities	30,565,449	29,822,158
Non-U.S. equity securities	12,353,569	12,466,002
Fixed income securities		
U.S. government obligations	52,799,687	53,489,549
Corporate bonds	80,554,590	81,583,282
Mission Investment Fund	1,505,150	1,636,815
Real estate investments (at cost)	1,019,169	2,614,810
Other	<u>109,460</u>	<u>135,127</u>
	<u>\$ 760,611,290</u>	<u>\$ 706,080,934</u>

Out of the \$760,611,290 and \$706,080,934 of total investments held at January 31, 2015 and 2014, \$721,231,867 and \$668,548,941 are valued at December 31, 2014 and 2013, respectively. 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 \$5,493,340 and \$4,759,881 for the years ended January 31, 2015 and 2014, respectively.

The Church is a pass-through entity for investment income related to certain deferred gift investments managed and distributed by an external financial institution. In relation to these investments, there were realized gains of approximately \$755,800 and \$865,300 on temporarily restricted investments and \$877,800 and \$951,200 on permanently restricted investments for the years ended January 31, 2015 and 2014, respectively, with offsetting increases in certain liabilities reported. Investment return shown above is net of such pass-through gains and losses.

Also, unrealized gains and losses of approximately \$(971,800) and \$2,568,900 on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2015 and 2014, 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
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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).

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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, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Investments in pools				
Common stocks	\$ -	\$ 203,964,551	\$ -	\$ 203,964,551
Non-U.S. stocks	-	142,600,143	-	142,600,143
Government and corporate bonds	-	89,064,802	-	89,064,802
Inflation-indexed securities	-	29,230,663	-	29,230,663
High-yield securities	-	58,429,046	-	58,429,046
Real estate investment securities	-	58,126,184	-	58,126,184
Other	-	288,827	-	288,827
Direct investments				
Equity securities				
U.S. equity securities	30,295,737	269,712	-	30,565,449
Non-U.S. equity securities	11,427,353	926,216	-	12,353,569
Fixed income securities				
U.S. government obligations	52,799,687	-	-	52,799,687
Corporate bonds	-	80,554,590	-	80,554,590
Mission Investment Fund	-	1,505,150	-	1,505,150
Other	90,420	19,040	-	109,460
Investments held at fair value	<u>\$ 94,613,197</u>	<u>\$ 664,978,924</u>	<u>\$ -</u>	<u>759,592,121</u>
Physical real estate held at cost*				<u>1,019,169</u>
Total investments				<u>\$ 760,611,290</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,422,568</u>	<u>\$ 22,422,568</u>

(Continued)

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	2014			
	Level 1	Level 2	Level 3	Total
Investments in pools				
Common stocks	\$ -	\$ 206,265,131	\$ -	206,265,131
Non-U.S. stocks	-	130,344,752	-	130,344,752
Government and corporate bonds	-	70,316,432	-	70,316,432
Inflation-indexed securities	-	23,195,630	-	23,195,630
High-yield securities	-	48,674,538	-	48,674,538
Real estate investment securities	-	45,361,406	-	45,361,406
Other	-	175,302	-	175,302
Direct investments				
Equity securities				
U.S. equity securities	29,552,446	269,713	-	29,822,159
Non-U.S. equity securities	11,539,786	926,216	-	12,466,002
Fixed income securities				
U.S. government obligations	53,489,549	-	-	53,489,549
Corporate bonds	-	81,583,281	-	81,583,281
Mission Investment Fund	-	1,636,815	-	1,636,815
Other	26,262	108,865	-	135,127
Investments held at fair value	<u>\$ 94,608,043</u>	<u>\$ 608,858,081</u>	<u>\$ -</u>	<u>703,466,124</u>
Physical real estate held at cost*				2,614,810
Total investments				<u>\$ 706,080,934</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,874,000</u>	<u>\$ 19,874,000</u>

* Physical real estate investments, comprised of land and building held by the Church at cost, were \$1,019,169 and \$2,614,810 as of January 31, 2015 and 2014, 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, 2013, through January 31, 2015:

Balance as of February 1, 2013	\$ 16,603,567
Unrealized losses	
Funds held for others	(109,436)
Permanently restricted	<u>3,379,869</u>
Balance as of February 1, 2014	\$ 19,874,000
Unrealized gains	
Funds held for others	(50,378)
Permanently restricted	<u>2,598,946</u>
Balance as of January 31, 2015	<u>\$ 22,422,568</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, 2015 and 2014, that are still held at January 31, 2015 and 2014, totaled \$(50,379) and \$(109,436), respectively.

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Assets held at net asset value: The Church participates in certain investment pools that calculate a net asset value (NAV) per share.

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 (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

NOTE 4 - MORTGAGES, NOTES, AND CONTRACTS FOR DEED

Mortgages, notes, and contracts for deed as of January 31, 2015 and 2014, are summarized as follows:

	<u>Interest Rates</u>	<u>2015</u>	<u>2014</u>
Real estate mortgages held by trusts	8.30%	\$ 905,000	\$ 905,000
Indirect loans	1.0% - 2.5%	550,000	1,610,000
Partnership support loans to congregations	0%	256,463	284,727
Less: allowance for doubtful accounts		<u>(150,000)</u>	<u>(150,000)</u>
Total		<u>\$ 1,561,463</u>	<u>\$ 2,649,727</u>

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.

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

Indirect loans are given to Community Development Financial 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, 2015. There is one loan past due for indirect loans for a total of approximately \$150,000 for a period greater than 1 year. The Church uses the specific identification method for the allowance for doubtful accounts, and the 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.

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 September 1, 2022. The balances of overseas church construction loans outstanding as of January 31, 2015 and 2014 are \$668,002 and \$864,107, 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, 2015 and 2014, there was approximately \$0 and \$12,000 past due, some of which were past due for a period greater than 1 year. The following is a summary of notes by region for the years ended January 31:

	<u>2015</u>	<u>2014</u>
Middle East	\$ 127,810	\$ 146,933
Asia/Pacific	134,099	212,077
Latin America/Caribbean	406,093	492,758
Europe	<u>-</u>	<u>12,339</u>
Net overseas construction loans	<u>\$ 668,002</u>	<u>\$ 864,107</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, 2015 and 2014 are presented below:

	<u>2015</u>	<u>2014</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	47,930,097	46,317,147
Furniture and equipment	<u>11,579,347</u>	<u>10,486,781</u>
	59,642,444	56,936,928
Less accumulated depreciation	<u>(30,011,417)</u>	<u>(27,086,695)</u>
Totals	<u>\$ 29,631,027</u>	<u>\$ 29,850,233</u>

Depreciation expense for the years ended January 31, 2015 and 2014 was \$2,924,721 and \$2,907,766, 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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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, 2014 and 2013, is as follows:

	2014		2013	
	<u>Deferred Revenue</u>	<u>Annuity Payable</u>	<u>Deferred Revenue</u>	<u>Annuity Payable</u>
Charitable remainder annuity trusts	\$ -	\$ 1,511,782	\$ -	\$ 1,850,396
Charitable remainder unitrusts	-	38,287,694	-	39,467,311
Charitable gift annuities	-	46,247,455	-	49,227,749
Pooled income funds	1,016,253	-	877,173	-
Life income funds	64,270	-	66,605	-
Life income estates	83,732	-	88,275	-
	<u>\$ 1,164,255</u>	<u>\$ 86,046,931</u>	<u>\$ 1,032,053</u>	<u>\$ 90,545,456</u>

The summary of recorded amounts listed above is as of December 31, 2014 and 2013, which management believes is not materially different than if the amounts were recorded as of January 31, 2015 and 2014.

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 approximately \$89,000 and \$114,000 for the years ended January 31, 2015 and 2014, 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, 2015 and 2014, were \$3,494,352 and \$2,933,427, 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, 2015 and 2014, 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, 2016, are expected to be zero.

During 2015, \$189,695 was paid in benefits to members and survivors under these plans. The total actuarial liability as of January 31, 2015 was \$1,099,687, and plan assets were \$3,285,987, which resulted in excess plan assets over actuarial liabilities of \$2,186,300. The assumed long-term rate of investment return for minimum and non-contributory benefits was 3.05% and 3.45% at January 31, 2015 and 2014, respectively.

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>
2015	\$ 174,239
2016	154,178
2017	135,009
2018	119,590
2019	104,847
2020-2023	<u>352,675</u>
	<u>\$ 1,040,538</u>

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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 10,000 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 agreement 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, 2014 and 2013, include the trust assets of approximately \$107,820,000 and \$105,908,000, respectively, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$156,004,000 and \$148,504,000, respectively.

The Church contributed \$4,000,000 and \$2,500,000 during fiscal years ended January 31, 2015 and 2014, respectively, toward the funding of this post-retirement health care benefit, and expects to contribute \$1,000,000 during the fiscal year ending January 31, 2016. During fiscal years ended January 31, 2015 and 2014, 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, 2016, are expected to be about \$4,900,000. 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 2016 and 2020 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 4.52% to 6.52%.

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 \$355,007 and \$407,668 for the years ended January 31, 2015 and 2014, respectively.

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

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2016	\$ 248,887	\$ 107,497	\$ 356,384
2017	251,655	107,304	358,959
2018	122,307	107,304	229,611
2019	-	107,304	107,304
2020	-	48,490	48,490
Total	<u>\$ 622,849</u>	<u>\$ 477,899</u>	<u>\$ 1,100,748</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>	
2016	\$ 74,348
2017	20,580
2018	<u>12,650</u>
Total minimum lease payments	107,578
Amount representing interest	<u>3,378</u>
Present value of net minimum lease payments	<u>\$ 104,200</u>

The capital leases include the following classes of property:

Office equipment	\$ 786,423
Less: Accumulated amortization	<u>710,570</u>
	<u>\$ 75,853</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. During the year ended January 31, 2015, the Church sold an art collection for a gain of approximately \$121,000.

NOTE 13 - LINE OF CREDIT

At January 31, 2015, 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, 2015 or 2014, 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>2015</u>	<u>2014</u>
Satisfaction of program restrictions:		
World Hunger	\$ 20,014,560	\$ 22,417,965
Disaster Relief	11,207,335	9,157,423
Congregational and Synodical Mission	2,716,846	424,656
Global Mission	1,319,976	1,710,068
Office of the Presiding Bishop	144,348	175,447
Other programs	<u>433,792</u>	<u>36,976</u>
Satisfaction of program restrictions	<u>\$ 35,836,857</u>	<u>\$ 33,922,535</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>2015</u>	<u>2014</u>
Region 1 – Northwest area	\$ 2,197,813	\$ 2,152,654
Region 2 – Southwest area	4,182,732	4,288,176
Region 3 – Northwest Midwest area	7,335,971	7,444,921
Region 4 – Southwest Midwest area	4,987,214	4,903,129
Region 5 – Northeast Midwest area	10,150,789	10,265,249
Region 6 – Southeast Midwest area	4,228,553	4,287,159
Region 7 – Northeast area	5,351,677	5,382,092
Region 8 – East area	5,239,715	5,334,716
Region 9 – Southeast area	<u>4,734,046</u>	<u>4,761,283</u>
Total synod mission support	<u>\$ 48,408,510</u>	<u>\$ 48,819,379</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, 2015. 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, 2015.

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 \$98,905,000 and \$106,406,000 versus a carrying value of approximately \$86,047,000 and \$90,545,000 at January 31, 2015 and 2014, respectively.

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 ELCA's investment pools participate in a securities lending program, whereby securities are lent to borrowers in exchange for a fee. The securities lending program specifies that the custodian is responsible for the lending of securities and obtaining adequate collateral from the borrower.

The ELCA earned approximately \$261,000 and \$122,000 in fees for the fiscal years ended 2015 and 2014, respectively.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2015 and 2014

NOTE 18 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at January 31:

	<u>2015</u>	<u>2014</u>
General	\$ 40,830,746	\$ 41,737,346
Funds functioning as endowment (Note 21)	30,649,423	26,479,950
Underwater portion of donor-restricted endowment funds (Note 21)	(98,618)	(331,710)
Net investment in property, furniture, equipment and building	<u>29,526,827</u>	<u>29,660,744</u>
	<u><u>\$ 100,908,378</u></u>	<u><u>\$ 97,546,330</u></u>

NOTE 19 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Program-restricted:		
Disaster Relief	\$ 12,475,470	\$ 17,592,074
World Hunger	12,121,509	8,377,775
Office of the Presiding Bishop	255,087	272,107
Congregational & Synodical Mission	8,127,165	8,632,804
Global Mission	4,160,659	2,843,190
Mission Advancement	670,110	773,630
Other programs	<u>4,628</u>	<u>4,646</u>
	37,814,628	38,496,226
Time-restricted, expendable in subsequent years	<u>108,744,386</u>	<u>102,056,370</u>
	<u><u>\$ 146,559,014</u></u>	<u><u>\$ 140,552,596</u></u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2015 and 2014

NOTE 20 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

	<u>2015</u>	<u>2014</u>
Investments in perpetuity, the income from which is expendable (Note 21)	\$ 164,396,811	\$ 155,076,937
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	13,845,227	13,543,953
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>1,999,018</u>	<u>2,059,946</u>
	<u>\$ 180,241,056</u>	<u>\$ 170,680,836</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 \$17,204,000 and \$22,588,000 at December 31, 2014 and 2013, respectively. At December 31, 2014, a cumulative loss of approximately \$99,000 was reported in unrestricted net assets to re-establish underwater endowment balances in accordance with governing accounting principles. During the current year, approximately \$334,000 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, 2015 and 2014

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, 2015 and 2014, 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 2016 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, 2014, 234 of 2,170 accounts had accumulated undistributed earnings compared to 388 of 2,015 at December 31, 2013.

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, 2015 and 2014

NOTE 21 - ENDOWMENT FUNDS (Continued)

Net asset composition by type of endowment fund as of January 31, 2015 and 2014:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (98,618)	\$ 94,095,363	\$ 164,396,811	\$ 258,393,556
Funds functioning as endowment	<u>30,649,423</u>	<u>-</u>	<u>-</u>	<u>30,649,423</u>
	<u>\$ 30,550,805</u>	<u>\$ 94,095,363</u>	<u>\$ 164,396,811</u>	<u>\$ 289,042,979</u>
	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (331,710)	\$ 87,929,584	\$ 155,076,937	\$ 242,674,811
Funds functioning as endowment	<u>26,479,950</u>	<u>-</u>	<u>-</u>	<u>26,479,950</u>
	<u>\$ 26,148,240</u>	<u>\$ 87,929,584</u>	<u>\$ 155,076,937</u>	<u>\$ 269,154,761</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, 2015 and 2014

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, 2014	\$ 26,148,240	\$ 87,929,584	\$ 155,076,937	\$ 269,154,761
Investment return:				
Net investment income	9,446,051	2,443,409	-	11,889,460
Net gain in fair value (realized and unrealized)	<u>30,269,524</u>	<u>3,270,304</u>	<u>2,581,482</u>	<u>36,121,310</u>
Total investment return	<u>39,715,575</u>	<u>5,713,713</u>	<u>2,581,482</u>	<u>48,010,770</u>
New gifts	4,970,774	4,722,199	6,791,989	16,484,962
Net assets released from restriction	3,990,096	(3,935,666)	(53,597)	833
Other changes				
Distribution of endowment income	<u>(44,608,347)</u>	-	-	<u>(44,608,347)</u>
Total other changes	<u>(44,608,347)</u>	-	-	<u>(44,608,347)</u>
Recovery of endowment balance	<u>334,467</u>	<u>(334,467)</u>	-	-
Net assets, January 31, 2015	<u>30,550,805</u>	<u>94,095,363</u>	<u>164,396,811</u>	<u>289,042,979</u>
Cash surrender value of life insurance	-	-	1,999,018	1,999,018
Net assets, January 31, 2015	<u>\$ 30,550,805</u>	<u>\$ 94,095,363</u>	<u>\$ 166,395,829</u>	<u>\$ 291,041,997</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2014 and 2013

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, 2013	\$ 19,457,146	\$ 64,781,430	\$ 144,792,044	\$ 229,030,620
Investment return:				
Net investment income	7,885,690	1,288,659	-	9,174,349
Net gain in fair value (realized and unrealized)	<u>22,736,268</u>	<u>21,556,779</u>	<u>3,379,869</u>	<u>47,672,916</u>
Total investment return	<u>30,621,958</u>	<u>22,845,438</u>	<u>3,379,869</u>	<u>56,847,265</u>
New gifts	3,148,765	6,534,510	6,654,864	16,338,139
Net assets released from restriction	3,386,037	(3,860,815)	250,160	(224,618)
Other changes				
Distribution of endowment income	<u>(32,836,645)</u>	<u>-</u>	<u>-</u>	<u>(32,836,645)</u>
Total other changes	<u>(32,836,645)</u>	<u>-</u>	<u>-</u>	<u>(32,836,645)</u>
Recovery of endowment balance	<u>2,370,979</u>	<u>(2,370,979)</u>	<u>-</u>	<u>-</u>
Net assets, January 31, 2014	<u>26,148,240</u>	<u>87,929,584</u>	<u>155,076,937</u>	<u>269,154,761</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>2,059,946</u>	<u>2,059,946</u>
Net assets, January 31, 2014	<u>\$ 26,148,240</u>	<u>\$ 87,929,584</u>	<u>\$ 157,136,883</u>	<u>\$ 271,214,707</u>

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. 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, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2015. Management has performed their analysis through June 3, 2015, 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, 2015

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift Funds	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 31,826,924	\$ 10,593,823	\$ 6,048,189	\$ 48,468,936
Accounts receivable	8,941,712	20,353	407,842	9,369,907
Interest receivable	150,022	-	605,529	755,551
Due to/from related organizations	2,011,415	(1,398,222)	79,181	692,374
Investments	39,379,423	573,706,323	147,525,544	760,611,290
Prepaid expenses and other assets	6,828,790	3,756,320	1,025,903	11,611,013
Mortgages, notes, and contracts for deed, net	656,463	-	905,000	1,561,463
Overseas church construction loans, net	668,002	-	-	668,002
Property, furniture, and equipment, net	29,631,027	-	-	29,631,027
Beneficial interest in perpetual trusts	-	21,387,841	1,034,727	22,422,568
Total assets	<u>\$ 120,093,778</u>	<u>\$ 608,066,438</u>	<u>\$ 157,631,915</u>	<u>\$ 885,792,131</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 4,303,871	\$ 18,849	\$ 27,349	\$ 4,350,069
Deferred revenue	3,925,280	387,297	1,164,255	5,476,832
Accrued liabilities	1,914,856	-	100	1,914,956
Annuities payable	-	-	86,046,931	86,046,931
Notes payable	104,200	-	-	104,200
Funds held for others	63,426	244,532,810	43,646,586	288,242,822
Funds held for others in perpetuity	-	71,947,873	-	71,947,873
Total liabilities	<u>10,311,633</u>	<u>316,886,829</u>	<u>130,885,221</u>	<u>458,083,683</u>
Net assets				
Unrestricted	70,324,693	30,550,805	32,880	100,908,378
Temporarily restricted	39,457,452	94,232,975	12,868,587	146,559,014
Permanently restricted	-	166,395,829	13,845,227	180,241,056
Total net assets	<u>109,782,145</u>	<u>291,179,609</u>	<u>26,746,694</u>	<u>427,708,448</u>
Total liabilities and net assets	<u>\$ 120,093,778</u>	<u>\$ 608,066,438</u>	<u>\$ 157,631,915</u>	<u>\$ 885,792,131</u>

See accompanying Independent Auditor's Report.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION BY FUND
January 31, 2014

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift Funds	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 30,311,208	\$ 7,096,924	\$ 6,103,338	\$ 43,511,470
Accounts receivable	10,507,809	1,003	129,709	10,638,521
Interest receivable	157,365	-	655,948	813,313
Investments	37,531,993	516,822,999	151,725,942	706,080,934
Prepaid expenses and other assets	6,238,502	3,834,042	1,016,087	11,088,631
Mortgages, notes, and contracts for deed, net	1,744,727	-	905,000	2,649,727
Overseas church construction loans, net	864,107	-	-	864,107
Property, furniture, and equipment, net	29,850,233	-	-	29,850,233
Beneficial interest in perpetual trusts	-	18,816,800	1,057,200	19,874,000
Total assets	<u>\$ 117,205,944</u>	<u>\$ 546,571,768</u>	<u>\$ 161,593,224</u>	<u>\$ 825,370,936</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 3,457,309	\$ 11,758	\$ 28,219	\$ 3,497,286
Deferred revenue	688,828	409,303	1,032,053	2,130,184
Due to/from related organizations	(361,307)	949,109	222,035	809,837
Accrued liabilities	1,956,811	-	100	1,956,911
Annuities payable	-	-	90,545,456	90,545,456
Note payable	189,489	-	-	189,489
Funds held for others	17,990	209,115,915	43,457,130	252,591,035
Funds held for others in perpetuity	-	64,870,976	-	64,870,976
Total liabilities	<u>5,949,120</u>	<u>275,357,061</u>	<u>135,284,993</u>	<u>416,591,174</u>
Net assets				
Unrestricted	71,184,106	26,148,240	213,984	97,546,330
Temporarily restricted	40,072,718	87,929,584	12,550,294	140,552,596
Permanently restricted	-	157,136,883	13,543,953	170,680,836
Total net assets	<u>111,256,824</u>	<u>271,214,707</u>	<u>26,308,231</u>	<u>408,779,762</u>
Total liabilities and net assets	<u>\$ 117,205,944</u>	<u>\$ 546,571,768</u>	<u>\$ 161,593,224</u>	<u>\$ 825,370,936</u>

See accompanying Independent Auditor's Report.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED SCHEDULES OF EXPENSES BY OBJECT
Years ended January 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Financial support - grants	\$ 53,357,149	\$ 53,120,368
Compensation		
Central staff	23,095,950	21,986,020
Missionaries	2,587,660	2,819,323
Employee benefits		
Central staff	10,260,782	9,699,743
Missionaries	1,301,324	1,383,833
Retiree pension expenses	(225,809)	(90,919)
Postretirement health care benefits	4,000,000	2,500,000
Travel - staff, board, and committees	4,605,663	4,219,646
Special events	1,809,323	2,769,514
Office expenses	876,179	851,014
Printing/duplicating	2,755,292	2,677,267
Purchased services	3,367,307	3,598,669
Regional office expenses	1,151,461	1,319,081
Insurance	820,231	621,880
Interest expense	3,210	9,436
Facilities and utilities	2,414,210	2,361,702
Non-capitalized equipment, repairs, and rentals	949,796	980,928
Depreciation	2,924,721	2,907,766
Miscellaneous	<u>146,129</u>	<u>146,317</u>
 Total operating expenses	 <u>116,200,578</u>	 <u>113,881,588</u>
 Investment expense	 2,013,024	 1,710,029
Endowment interest payments and distribution	<u>35,973,679</u>	<u>25,798,974</u>
 Total expenses	 <u>\$ 154,187,281</u>	 <u>\$ 141,390,591</u>

See accompanying Independent Auditor's Report.

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

CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2016 and 2015



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES

CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2016 and 2015

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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 Lutheran Church in America (the Church), which comprise the consolidated statements of financial position as of January 31, 2016 and 2015, 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 Lutheran Church in America as of January 31, 2016 and 2015, 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.

Emphasis of Matter

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, 2016 and 2015, 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 opinion is not modified with respect to this matter.

Other Matter

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 consolidated financial statements. The accompanying Consolidating Statement of Financial Position Information by Fund and the Consolidated Schedules of Expenses by Object are presented for purposes of additional analysis and are 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



Crowe Horwath LLP

Chicago, Illinois
June 8, 2016

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 44,567,665	\$ 48,468,936
Accounts receivable (Note 2)	8,582,528	9,369,907
Interest receivable	678,377	755,551
Due from related organizations	4,463,971	692,374
Investments (Note 3)	756,629,313	760,611,290
Prepaid expenses and other assets	12,379,578	11,611,013
Mortgages, notes, and contracts for deed (Note 4)	1,134,907	1,561,463
Overseas church construction loans (Note 5)	456,022	668,002
Property, furniture, and equipment, net (Note 6)	27,827,583	29,631,027
Beneficial interest in perpetual trusts (Note 3)	<u>20,852,738</u>	<u>22,422,568</u>
 Total assets	 <u>\$ 877,572,682</u>	 <u>\$ 885,792,131</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 8,310,709	\$ 4,350,069
Deferred revenue	1,351,685	5,476,832
Accrued liabilities	2,251,489	1,914,956
Annuities payable (Note 7)	80,308,135	86,046,931
Notes payable	56,786	104,200
Funds held for others	300,270,778	288,242,822
Funds held for others in perpetuity	<u>70,206,207</u>	<u>71,947,873</u>
Total liabilities	<u>462,755,789</u>	<u>458,083,683</u>
 Net assets		
Unrestricted (Note 18)	98,732,635	100,908,378
Temporarily restricted (Note 19)	134,145,972	146,559,014
Permanently restricted (Note 20)	<u>181,938,286</u>	<u>180,241,056</u>
Total net assets	<u>414,816,893</u>	<u>427,708,448</u>
 Total liabilities and net assets	 <u>\$ 877,572,682</u>	 <u>\$ 885,792,131</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2016

	2016			2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 47,141,999	\$ -	\$ -	\$ 47,141,999
World Hunger Appeal	-	19,592,438	-	19,592,438
Global Church sponsorship	3,232,810	84,969	-	3,317,779
Disaster response	-	6,233,360	-	6,233,360
Vision for Mission	866,572	-	-	866,572
Deferred gift contributions	-	258,665	135,046	393,711
Endowment contributions	317,291	4,820,476	5,842,163	10,979,930
Mission Investment Fund	1,500,000	31,000	-	1,531,000
Bequests, trusts, and residuums	4,181,292	3,494,757	-	7,676,049
Grants—corporate and other	30,050	2,133,195	-	2,163,245
Other gifts	1,780,810	3,139,280	-	4,920,090
Total contributed revenue	<u>59,050,824</u>	<u>39,788,140</u>	<u>5,977,209</u>	<u>104,816,173</u>
Other revenue				
Dividend and interest income	1,122,648	138,522	-	1,261,170
Realized gains (losses)	(382,476)	-	-	(382,476)
Unrealized gains	55,281	-	-	55,281
Endowment distributions	4,661,769	5,825,728	-	10,487,497
Regional offices' revenue	1,339,909	-	-	1,339,909
Services and other revenue	13,353,304	-	-	13,353,304
Lease income	1,488,477	-	-	1,488,477
Miscellaneous income	-	-	-	-
Total other revenue	<u>21,638,912</u>	<u>5,964,250</u>	<u>-</u>	<u>27,603,162</u>
Net assets released from restrictions				
Satisfaction of program restrictions (Note 14)	34,574,427	(34,574,427)	-	-
Income expended from investments held in perpetuity	4,741,509	(4,741,509)	-	-
Change in donor designation	-	10,323	(1,890)	8,433
Net assets released from restrictions	<u>39,315,936</u>	<u>(39,305,613)</u>	<u>(1,890)</u>	<u>8,433</u>
Total operating revenue and support	<u>120,005,672</u>	<u>6,446,777</u>	<u>5,975,319</u>	<u>132,427,768</u>
Operating expenses				
Program services				
Congregational and Synodical Mission	46,445,192	-	-	46,445,192
Global Mission	37,146,439	-	-	37,146,439
Mission Advancement	4,951,178	-	-	4,951,178
Church periodicals	2,264,008	-	-	2,264,008
Office of the Presiding Bishop	1,957,575	-	-	1,957,575
Regional offices' expense	1,310,082	-	-	1,310,082
Retiree's pension	(188,996)	-	-	(188,996)
Post-retirement health care benefits (Note 10)	1,500,000	-	-	1,500,000
Total program services	<u>95,385,478</u>	<u>-</u>	<u>-</u>	<u>95,385,478</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2016

	2016			2015 <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 5,730,999	\$ -	\$ -	\$ 5,730,999
Office of the Treasurer	8,088,788	-	-	8,088,788
Office of the Secretary	3,484,496	-	-	3,484,496
Mission Advancement	2,118,839	-	-	2,118,839
Total management and general	19,423,122	-	-	19,423,122
Fundraising				
Mission Advancement	7,115,955	-	-	7,115,955
Total fundraising	7,115,955	-	-	7,115,955
Total operating expenses	121,924,555	-	-	121,924,555
Net operating revenue and support less operating expenses	(1,918,883)	6,446,777	5,975,319	10,503,213
Non-operating transactions				
Transfer to cover underw ater endow ment balances (Note 21)	(1,124,442)	1,124,442	-	-
Dividend and interest income	17,218,834	(390,191)	-	16,828,643
Realized gains (losses)	13,640,584	1,847,217	(128,803)	15,358,998
Endow ment distributions and other investing expenses	(28,171,372)	(5,825,728)	-	(33,997,100)
Unrealized losses	(1,820,464)	(15,366,577)	(1,867,037)	(19,054,078)
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	(1,385,401)	(1,385,401)
Change in value of split interest agreements	-	(248,982)	(896,848)	(1,145,830)
Total non-operating transactions	(256,860)	(18,859,819)	(4,278,089)	(23,394,768)
Changes in net assets	(2,175,743)	(12,413,042)	1,697,230	(12,891,555)
Net assets at beginning of year	100,908,378	146,559,014	180,241,056	427,708,448
Net assets at end of year	\$ 98,732,635	\$134,145,972	\$181,938,286	\$427,708,448

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 48,408,510	\$ -	\$ -	\$ 48,408,510
World Hunger Appeal	-	19,741,407	-	19,741,407
Global Church sponsorship	3,192,142	103	-	3,192,245
Disaster relief	-	4,133,377	-	4,133,377
Vision for Mission	1,459,278	-	-	1,459,278
Deferred gift contributions	-	271,459	399,630	671,089
Endowment contributions	2,148,162	4,722,199	6,791,989	13,662,350
Mission Investment Fund	1,800,000	-	-	1,800,000
Bequests, trusts, and residuums	2,813,737	2,055,635	-	4,869,372
Grants—corporate and other	30,035	4,116,956	-	4,146,991
Other gifts	1,031,968	4,839,516	-	5,871,484
Total contributed revenue	<u>60,883,832</u>	<u>39,880,652</u>	<u>7,191,619</u>	<u>107,956,103</u>
Other revenue				
Dividend and interest income	3,100,537	87,707	-	3,188,244
Realized gains (losses)	1,236,069	-	-	1,236,069
Unrealized gains (losses)	58,686	-	-	58,686
Endowment distributions	846,050	7,800,069	-	8,646,119
Regional offices' revenue	1,111,186	-	-	1,111,186
Services and other revenue	4,575,167	-	-	4,575,167
Lease income	1,508,580	-	-	1,508,580
Miscellaneous income	182,716	-	-	182,716
Total other revenue	<u>12,618,991</u>	<u>7,887,776</u>	<u>-</u>	<u>20,506,767</u>
Net assets released from restrictions				
Satisfaction of program restrictions (Note 14)	35,836,857	(35,836,857)	-	-
Income expended from investments held in perpetuity	3,743,206	(3,743,206)	-	-
Change in donor designation	-	54,430	(53,597)	833
Net assets released from restrictions	<u>39,580,063</u>	<u>(39,525,633)</u>	<u>(53,597)</u>	<u>833</u>
Total operating revenue and support	<u>113,082,886</u>	<u>8,242,795</u>	<u>7,138,022</u>	<u>128,463,703</u>
Operating expenses				
Program services				
Congregational and Synodical Mission	40,350,805	-	-	40,350,805
Global Mission	36,796,929	-	-	36,796,929
Mission Advancement	4,237,307	-	-	4,237,307
Church periodicals	2,408,465	-	-	2,408,465
Office of the Presiding Bishop	2,949,694	-	-	2,949,694
Regional offices' expense	1,151,461	-	-	1,151,461
Retiree's pension	(225,809)	-	-	(225,809)
Post-retirement health care benefits (Note 10)	4,000,000	-	-	4,000,000
Total program services	<u>91,668,852</u>	<u>-</u>	<u>-</u>	<u>91,668,852</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended January 31, 2015

	2015			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 3,734,626	\$ -	\$ -	\$ 3,734,626
Office of the Treasurer	8,129,483	-	-	8,129,483
Office of the Secretary	3,328,872	-	-	3,328,872
Mission Advancement	<u>2,897,017</u>	<u>-</u>	<u>-</u>	<u>2,897,017</u>
Total management and general	<u>18,089,998</u>	<u>-</u>	<u>-</u>	<u>18,089,998</u>
Fundraising				
Mission Advancement	<u>6,260,624</u>	<u>-</u>	<u>-</u>	<u>6,260,624</u>
Total fundraising	<u>6,260,624</u>	<u>-</u>	<u>-</u>	<u>6,260,624</u>
Total operating expenses	<u>116,019,474</u>	<u>-</u>	<u>-</u>	<u>116,019,474</u>
Net operating revenue and support less operating expenses	(2,936,588)	8,242,795	7,138,022	12,444,229
Non-operating transactions				
Transfer to cover underw ater endow ment balances (Note 21)	334,467	(334,467)	-	-
Dividend and interest income	15,015,767	2,443,409	-	17,459,176
Realized gains (losses)	31,356,898	11,304,035	(17,465)	42,643,468
Endow ment distributions and other investing expenses	(39,321,122)	(7,662,457)	-	(46,983,579)
Unrealized gains (losses)	(1,087,374)	(8,182,920)	(278,380)	(9,548,674)
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	2,598,947	2,598,947
Change in value of split interest agreements	<u>-</u>	<u>196,023</u>	<u>119,096</u>	<u>315,119</u>
Total non-operating transactions	<u>6,298,636</u>	<u>(2,236,377)</u>	<u>2,422,198</u>	<u>6,484,457</u>
Changes in net assets	3,362,048	6,006,418	9,560,220	18,928,686
Net assets at beginning of year	<u>97,546,330</u>	<u>140,552,596</u>	<u>170,680,836</u>	<u>408,779,762</u>
Net assets at end of year	<u>\$100,908,378</u>	<u>\$146,559,014</u>	<u>\$180,241,056</u>	<u>\$427,708,448</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (12,891,555)	\$ 18,928,686
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,882,972	2,924,721
(Gain) loss on investments, net	768,185	(70,606,931)
Acquisition of investments through gifts	(561,160)	(255,436)
Gifts restricted for long-term investment	(5,842,163)	(6,791,989)
(Gain) loss on beneficial interest in perpetual trusts	1,569,830	(2,548,568)
Currency exchange gain on overseas loan	(2,092)	(17,487)
Changes in		
Accounts receivable	787,379	1,268,614
Interest receivable	77,174	57,762
Prepaid expenses and other assets	(768,565)	(522,382)
Accounts payable	3,960,640	852,783
Deferred revenue	(4,125,147)	3,346,648
Due to/from related organizations	(3,771,597)	(1,502,211)
Accrued liabilities	336,533	(41,955)
Funds held for others	12,027,956	35,651,787
Funds held for others in perpetuity	<u>(1,741,666)</u>	<u>7,076,897</u>
Net cash used in operating activities	(7,293,276)	(12,179,061)
Cash flows from investing activities		
Purchase and acquisition of equipment	(1,079,528)	(2,705,516)
Payments received on mortgages, notes, and contracts for deed	426,556	1,088,264
Payments received on overseas church construction loans	214,072	213,592
Purchase of investments	(81,040,871)	(76,129,808)
Proceeds from sale of investments	<u>84,815,823</u>	<u>92,461,819</u>
Net cash provided by investing activities	3,336,052	14,928,351
Cash flows from financing activities		
Proceeds from gifts restricted for long-term investment	5,842,163	6,791,989
Annuities payable	(5,738,796)	(4,498,525)
Payments on mortgage payable, notes payable, and capital leases	<u>(47,414)</u>	<u>(85,288)</u>
Net cash provided by financing activities	<u>55,953</u>	<u>2,208,176</u>
Increase (decrease) in cash and cash equivalents	(3,901,271)	4,957,466
Cash and cash equivalents at beginning of year	<u>48,468,936</u>	<u>43,511,470</u>
Cash and cash equivalents at end of year	<u>\$ 44,567,665</u>	<u>\$ 48,468,936</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 2,278	\$ 3,101
Gifts of investments	561,160	255,436

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, 2016 and 2015

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, 2016 and 2015

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, mutual funds, and investments in pools. 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, 2016 and 2015

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:

Building	50 years
Building improvements	10-25 years
Hardware, software and related components	3-5 years
Furniture fixtures and improvements	5-7 years
Tenant improvements	Maximum length of lease
Transportation	5-7 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 power 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 non-missionary 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, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015.

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, 2012. 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.

Recent Accounting Pronouncements: In May 2015, the FASB issued Accounting Standards Update No. 2015-07 ("ASU 2015-07", "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent).") ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For non-public business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Accordingly, investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
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NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2016 and 2015, were \$5,947,766 and \$6,554,369 respectively, relating to synods' contributions for mission support, world hunger appeal, global church sponsorship, and other programs that have been collected subsequent to year end. A majority of the remaining receivable balance is related to General Treasury receivables. Interest is not normally charged on receivables. Management reviews all of 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, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Investments in pools		
Common stocks	\$ 253,620,968	\$ 203,964,551
Non-U.S. stocks	138,347,975	142,600,143
Government and corporate bonds	123,612,170	89,064,802
Inflation-indexed securities	29,964,685	29,230,663
High-yield securities	58,417,326	58,429,046
Real estate investment securities	60,067,468	58,126,184
Other	162,634	288,827
Direct investments		
Equity securities		
U.S. equity securities	972,303	30,565,449
Non-U.S. equity securities	926,216	12,353,569
Fixed income securities		
U.S. government obligations	48,503,225	52,799,687
Corporate bonds	39,538,559	80,554,590
Mission Investment Fund	1,534,623	1,505,150
Real estate investments (at cost)	961,161	1,019,169
Other	-	109,460
	<u>\$ 756,629,313</u>	<u>\$ 760,611,290</u>

Out of the \$756,629,313 and \$760,611,290 of total investments held at January 31, 2016 and 2015, \$712,686,410 and \$721,231,867 are valued at December 31, 2015 and 2014, respectively. 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 \$5,939,767 and \$5,493,340 for the years ended January 31, 2016 and 2015, respectively.

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

The Church is a pass-through entity for investment income related to certain deferred gift investments managed and distributed by an external financial institution. In relation to these investments, there were realized gains of approximately \$813,300 and \$755,800 on temporarily restricted investments and \$909,200 and \$877,800 on permanently restricted investments for the years ended January 31, 2016 and 2015, respectively, with offsetting increases in certain liabilities reported. Investment return shown above is net of such pass-through gains and losses.

Also, unrealized losses of approximately \$7,782,406 and \$971,800 on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2016 and 2015, 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, real estate investment securities, inflation-indexed and high-yield securities and investments in pools.

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).

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

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.

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).

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).

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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Years ended January 31, 2016 and 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth, by level within the fair value hierarchy, financial instruments owned, at fair value as of January 31, 2016 and 2015:

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Direct investments				
Equity securities				
U.S. equity securities	\$ 603,091	\$ 369,212	\$ -	\$ 972,303
Non-U.S. equity securities	-	926,216	-	926,216
Fixed income securities				
U.S. government obligations	48,503,225	-	-	48,503,225
Corporate bonds	52,777	39,485,782	-	39,538,559
Mission Investment Fund	-	1,534,623	-	1,534,623
Investments held at fair value	<u>\$ 49,159,093</u>	<u>\$ 42,315,833</u>	<u>\$ -</u>	<u>\$ 91,474,926</u>
Investments in pools at fair value				<u>664,193,226</u>
Total investments at fair value				755,668,152
Physical real estate held at cost*				961,161
Total investments				<u>\$ 756,629,313</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,852,738</u>	<u>\$ 20,852,738</u>

	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Direct investments				
Equity securities				
U.S. equity securities	\$ 538,700	\$ 269,712	\$ -	\$ 808,412
Non-U.S. equity securities	-	926,216	-	926,216
Fixed income securities				
U.S. government obligations	52,799,687	-	-	52,799,687
Corporate bonds	-	31,789,731	-	31,789,731
Mission Investment Fund	-	1,505,150	-	1,505,150
Other	-	19,040	-	19,040
Investments held at fair value	<u>\$ 53,338,387</u>	<u>\$ 34,509,849</u>	<u>\$ -</u>	<u>\$ 87,848,236</u>
Investments in pools at fair value				<u>671,743,885</u>
Total investments at fair value				759,592,121
Physical real estate held at cost*				1,019,169
Total investments				<u>\$ 760,611,290</u>
Beneficial interest in trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,422,568</u>	<u>\$ 22,422,568</u>

* Physical real estate investments, comprised of land and building held by the Church at cost, were \$961,161 and \$1,019,169 as of January 31, 2016 and 2015, respectively, and were not included in the fair value tables above.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below rolls forward balances for Level 3 beneficial interest in trusts from February 1, 2014, through January 31, 2016:

Balance as of February 1, 2014	\$ 19,874,000
Unrealized losses	
Funds held for others	(50,379)
Permanently restricted	<u>2,598,947</u>
Balance as of February 1, 2015	\$ 22,422,568
Unrealized gains	
Funds held for others	(184,429)
Permanently restricted	<u>(1,385,401)</u>
Balance as of January 31, 2016	<u>\$ 20,852,738</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, 2016 and 2015, that are still held at January 31, 2016 and 2015, totaled (\$184,429) and (\$50,379), respectively.

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 (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 12 1/2% to 22 1/2% in U.S. equity securities, 25% to 35% in fixed income securities, 12 1/2% to 22 1/2% 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 target asset allocation ranges are displayed in the following chart. Actual allocations varied from targeted levels by modest amounts.

	Range	Target	December 31, 2015	Difference
U.S. Equity Securities	30-40%	35%	35.3%	0.3%
Non-U.S. Equity Securities	20-30%	25%	23.7%	-1.3%
Investment Grade Fixed Income Securities	10-20%	15%	15.4%	0.4%
High-Yield Fixed Income Securities	5-15%	10%	10.0%	0.0%
Global Real Estate Securities	5-15%	10%	10.3%	0.3%
U.S. Inflation-Indexed Securities	0-10%	5%	5.2%	0.2%
Cash and cash equivalents	Residual	0%	0.1%	0.1%

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.

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NOTE 4 - MORTGAGES, NOTES, AND CONTRACTS FOR DEED

Mortgages, notes, and contracts for deed as of January 31, 2016 and 2015, are summarized as follows:

	<u>Interest Rates</u>	<u>2016</u>	<u>2015</u>
Real estate mortgages held by trusts	8.30%	\$ 905,000	\$ 905,000
Indirect loans	1.0% - 2.5%	-	550,000
Partnership support loans to congregations	0%	229,907	256,463
Less: allowance for doubtful accounts		<u>-</u>	<u>(150,000)</u>
Total		<u>\$ 1,134,907</u>	<u>\$ 1,561,463</u>

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.

Indirect loans are given to Community Development Financial 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, 2016. The Church does not believe that an allowance is necessary for these mortgages notes. 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 September 1, 2022. The balances of overseas church construction loans outstanding as of January 31, 2016 and 2015 are \$456,022 and \$668,002, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS (Continued)

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, 2016 and 2015, there were no amounts past due for a period greater than 1 year. The following is a summary of notes by region for the years ended January 31:

	<u>2016</u>	<u>2015</u>
Middle East	\$ 107,923	\$ 127,810
Asia/Pacific	86,927	134,099
Latin America/Caribbean	<u>261,172</u>	<u>406,093</u>
Total overseas construction loans	<u>\$ 456,022</u>	<u>\$ 668,002</u>

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, 2016 and 2015 are presented below:

	<u>2016</u>	<u>2015</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	48,555,062	47,930,097
Furniture and equipment	<u>12,033,910</u>	<u>11,579,347</u>
	60,721,972	59,642,444
Less accumulated depreciation	<u>(32,894,389)</u>	<u>(30,011,417)</u>
Totals	<u>\$ 27,827,583</u>	<u>\$ 29,631,027</u>

Depreciation expense for the years ended January 31, 2016 and 2015 was \$2,882,972 and \$2,924,721, 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 2012 Individual Annuity Reserving Tables (2012 IAR) are used to calculate life expectancies unless a time restriction is specified.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

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 2012 IAR 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.

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 2012 IAR 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, 2015 and 2014, is as follows:

	2015		2014	
	<u>Deferred Revenue</u>	<u>Annuity Payable</u>	<u>Deferred Revenue</u>	<u>Annuity Payable</u>
Charitable remainder annuity trusts	\$ -	\$ 1,284,125	\$ -	\$ 1,511,782
Charitable remainder unitrusts	-	34,308,838	-	38,287,694
Charitable gift annuities	-	44,715,172	-	46,247,455
Pooled income funds	937,365	-	1,016,253	-
Life income funds	62,501	-	64,270	-
Life income estates	73,956	-	83,732	-
	<u>\$ 1,073,822</u>	<u>\$ 80,308,135</u>	<u>\$ 1,164,255</u>	<u>\$ 86,046,931</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

The summary of recorded amounts listed above is as of December 31, 2015 and 2014, which management believes is not materially different than if the amounts were recorded as of January 31, 2016 and 2015.

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.

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 approximately \$96,000 and \$89,000 for the years ended January 31, 2016 and 2015, 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, 2016 and 2015, were \$3,329,660 and \$3,494,352, 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, 2016 and 2015, 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, 2017, are expected to be zero.

During 2016, \$161,974 was paid in benefits to members and survivors under these plans. The total actuarial liability as of January 31, 2016 was \$719,246, and plan assets were \$3,094,542, which resulted in excess plan assets over actuarial liabilities of \$2,375,296. The assumed long-term rate of investment return for minimum and non-contributory benefits was 3.15% and 3.05% at January 31, 2016 and 2015, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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Years ended January 31, 2016 and 2015

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

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>
2016	\$ 149,214
2017	124,367
2018	103,720
2019	86,456
2020	72,003
2021-2025	<u>213,489</u>
	<u>\$ 749,249</u>

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 9,500 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 agreement 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, 2015 and 2014, include the trust assets of approximately \$101,371,000 and \$107,820,000, respectively, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$146,390,000 and \$156,004,000, respectively.

The Church contributed \$1,500,000 and \$4,000,000 during fiscal years ended January 31, 2016 and 2015, respectively, toward the funding of this post-retirement health care benefit, and expects to contribute \$1,000,000 during the fiscal year ending January 31, 2017. During fiscal years ended January 31, 2016 and 2015, 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, 2017, are expected to be about \$4,600,000. The contribution rates, including the contribution for retiree support, are set annually by the Board of Trustees of Portico.

Based on current funding policies and expected asset returns, it is anticipated that full funding may be achieved between 2019 and 2022.

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 \$402,432 and \$355,007 for the years ended January 31, 2016 and 2015, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

NOTE 11 - LEASES (Continued)

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>
2017	\$ 295,911	\$ 109,008	\$ 404,919
2018	166,563	109,008	275,571
2019	11,064	109,008	120,072
2020	-	50,194	50,194
2021	-	426	426
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 473,538</u>	<u>\$ 377,644</u>	<u>\$ 851,182</u>

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>	
2017	\$ 45,549
2018	<u>12,650</u>
Total minimum lease payments	58,199
Amount representing interest	<u>1,413</u>
Present value of net minimum lease payments	<u>\$ 56,786</u>
The capital leases include the following classes of property:	
Office equipment	\$ 146,971
Less: Accumulated amortization	<u>80,834</u>
	<u>\$ 66,137</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. During the year ended January 31, 2016, the Church sold an art piece for a gain of approximately \$2,000.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

NOTE 13 - LINE OF CREDIT

At January 31, 2016, 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, 2016 or 2015, or during the years then ended.

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>2016</u>	<u>2015</u>
Satisfaction of program restrictions:		
World Hunger	\$ 22,003,552	\$ 20,014,560
Disaster Relief	7,975,155	11,207,335
Congregational and Synodical Mission	983,199	2,716,846
Global Mission	2,073,865	1,319,976
Office of the Presiding Bishop	317,454	144,348
Other programs	<u>1,221,202</u>	<u>433,792</u>
Satisfaction of program restrictions	<u>\$ 34,574,427</u>	<u>\$ 35,836,857</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>2016</u>	<u>2015</u>
Region 1 – Northwest area	\$ 2,206,665	\$ 2,197,813
Region 2 – Southwest area	3,951,763	4,182,732
Region 3 – Northwest Midwest area	7,196,736	7,335,971
Region 4 – Southwest Midwest area	4,910,245	4,987,214
Region 5 – Northeast Midwest area	9,720,084	10,150,789
Region 6 – Southeast Midwest area	4,249,013	4,228,553
Region 7 – Northeast area	5,137,408	5,351,677
Region 8 – East area	5,025,364	5,239,715
Region 9 – Southeast area	<u>4,744,721</u>	<u>4,734,046</u>
Total synod mission support	<u>\$ 47,141,999</u>	<u>\$ 48,408,510</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
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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, 2016. 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, 2016.

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 \$94,830,000 and \$98,905,000 versus a carrying value of approximately \$80,308,000 and \$86,047,000 at January 31, 2016 and 2015, respectively.

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 ELCA's investment pools participate in a securities lending program, whereby securities are lent to borrowers in exchange for a fee. The securities lending program specifies that the custodian is responsible for the lending of securities and obtaining adequate collateral from the borrower.

The ELCA earned approximately \$331,000 and \$261,000 in fees for the fiscal years ended 2016 and 2015, respectively.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 18 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at January 31:

	<u>2016</u>	<u>2015</u>
General	\$ 43,907,343	\$ 40,830,746
Funds functioning as endowment (Note 21)	28,277,555	30,649,423
Underwater portion of donor-restricted endowment funds (Note 21)	(1,223,060)	(98,618)
Net investment in property, furniture, equipment and building	<u>27,770,797</u>	<u>29,526,827</u>
	<u>\$ 98,732,635</u>	<u>\$ 100,908,378</u>

NOTE 19 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Program-restricted:		
Disaster Relief	\$ 11,378,186	\$ 12,475,470
World Hunger	9,403,251	12,121,509
Office of the Presiding Bishop	2,846,405	255,087
Congregational & Synodical Mission	8,026,472	8,127,165
Global Mission	4,333,935	4,160,659
Mission Advancement	2,296,522	670,110
Other programs	<u>4,627</u>	<u>4,628</u>
	38,289,398	37,814,628
Time-restricted, expendable in subsequent years	<u>95,856,574</u>	<u>108,744,386</u>
	<u>\$ 134,145,972</u>	<u>\$ 146,559,014</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

NOTE 20 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

	<u>2016</u>	<u>2015</u>
Investments in perpetuity, the income from which is expendable (Note 21)	\$ 168,848,646	\$ 164,396,811
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	11,216,388	13,845,227
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>1,873,252</u>	<u>1,999,018</u>
	<u>\$ 181,938,286</u>	<u>\$ 180,241,056</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 \$45,382,000 and \$17,204,000 at December 31, 2015 and 2014, respectively. At December 31, 2015, a cumulative loss of approximately \$1,223,000 was reported in unrestricted net assets to re-establish underwater endowment balances in accordance with governing accounting principles. During the current year, approximately \$1,124,000 has been classified from unrestricted to temporarily restricted net assets.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

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, 2016 and 2015, 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 2017 is 4.0% 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, 2015, 372 of 2,332 accounts had accumulated undistributed earnings compared to 234 of 2,170 at December 31, 2014.

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, 2016 and 2015

NOTE 21 - ENDOWMENT FUNDS (Continued)

Net asset composition by type of endowment fund as of January 31, 2016 and 2015:

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (1,223,060)	\$ 82,739,748	\$ 168,848,646	\$ 250,365,334
Funds functioning as endowment	<u>28,277,555</u>	<u>-</u>	<u>-</u>	<u>28,277,555</u>
	<u>\$ 27,054,495</u>	<u>\$ 82,739,748</u>	<u>\$ 168,848,646</u>	<u>\$ 278,642,889</u>
	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (98,618)	\$ 94,232,975	\$ 164,396,811	\$ 258,531,168
Funds functioning as endowment	<u>30,649,423</u>	<u>-</u>	<u>-</u>	<u>30,649,423</u>
	<u>\$ 30,550,805</u>	<u>\$ 94,232,975</u>	<u>\$ 164,396,811</u>	<u>\$ 289,180,591</u>

* With the exception of certain investments held by outside trusts, 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, 2016 and 2015

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, 2015	\$ 30,550,805	\$ 94,232,975	\$ 164,396,811	\$ 289,180,591
Investment return:				
Net investment income	11,279,067	(390,191)	-	10,888,876
Net gain in fair value (realized and unrealized)	<u>11,820,120</u>	<u>(12,072,113)</u>	<u>(1,388,438)</u>	<u>(1,640,431)</u>
Total investment return	<u>23,099,187</u>	<u>(12,462,304)</u>	<u>(1,388,438)</u>	<u>9,248,445</u>
New gifts	1,028,860	4,820,476	5,842,163	11,691,499
Net assets released from restriction	4,986,164	(4,975,841)	(1,890)	8,433
Other changes				
Distribution of endowment income	<u>(31,486,079)</u>	<u>-</u>	<u>-</u>	<u>(31,486,079)</u>
Total other changes	<u>(31,486,079)</u>	<u>-</u>	<u>-</u>	<u>(31,486,079)</u>
Transfer to cover underwater endowment balances	<u>(1,124,442)</u>	<u>1,124,442</u>	<u>-</u>	<u>-</u>
Net assets, January 31, 2016	<u>27,054,495</u>	<u>82,739,748</u>	<u>168,848,646</u>	<u>278,642,889</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>1,873,252</u>	<u>1,873,252</u>
Net assets, January 31, 2016	<u>\$ 27,054,495</u>	<u>\$ 82,739,748</u>	<u>\$ 170,721,898</u>	<u>\$ 280,516,141</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended January 31, 2016 and 2015

NOTE 21 - ENDOWMENT FUNDS (Continued)

	Endowment Roll-Forward			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, January 31, 2014	\$ 26,148,240	\$ 87,929,584	\$ 155,076,937	\$ 269,154,761
Investment return:				
Net investment income	9,446,051	2,581,021	-	12,027,072
Net gain in fair value (realized and unrealized)	30,269,524	3,270,304	2,581,482	36,121,310
Total investment return	39,715,575	5,851,325	2,581,482	48,148,382
New gifts	4,970,774	4,722,199	6,791,989	16,484,962
Net assets released from restriction	3,990,096	(3,935,666)	(53,597)	833
Other changes				
Distribution of endowment income	(44,608,347)	-	-	(44,608,347)
Total other changes	(44,608,347)	-	-	(44,608,347)
Recovery of endowment balance	334,467	(334,467)	-	-
Net assets, January 31, 2015	30,550,805	94,232,975	164,396,811	289,180,591
Cash surrender value of life insurance	-	-	1,999,018	1,999,018
Net assets, January 31, 2015	<u>\$ 30,550,805</u>	<u>\$ 94,232,975</u>	<u>\$ 166,395,829</u>	<u>\$ 291,179,609</u>

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. 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, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2016. Management has performed their analysis through June 8, 2016, 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, 2016

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift Funds	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 27,602,256	\$ 9,621,929	\$ 7,343,480	\$ 44,567,665
Accounts receivable	8,426,349	-	156,179	8,582,528
Interest receivable	154,305	-	524,072	678,377
Due to/from related organizations	6,019,127	(1,552,398)	(2,758)	4,463,971
Investments	43,942,903	583,548,780	129,137,630	756,629,313
Prepaid expenses and other assets	7,667,226	3,694,400	1,017,952	12,379,578
Mortgages, notes, and contracts for deed	229,907	-	905,000	1,134,907
Overseas church construction loans	456,022	-	-	456,022
Property, furniture, and equipment, net	27,827,583	-	-	27,827,583
Beneficial interest in perpetual trusts	-	19,932,800	919,938	20,852,738
Total assets	<u>\$ 122,325,678</u>	<u>\$ 615,245,511</u>	<u>\$ 140,001,493</u>	<u>\$ 877,572,682</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 8,267,298	\$ 18,112	\$ 25,299	\$ 8,310,709
Deferred revenue	85,575	192,288	1,073,822	1,351,685
Accrued liabilities	2,251,389	-	100	2,251,489
Annuities payable	-	-	80,308,135	80,308,135
Notes payable	56,786	-	-	56,786
Funds held for others	44,169	264,312,763	35,913,846	300,270,778
Funds held for others in perpetuity	-	70,206,207	-	70,206,207
Total liabilities	<u>10,705,217</u>	<u>334,729,370</u>	<u>117,321,202</u>	<u>462,755,789</u>
Net assets				
Unrestricted	71,645,260	27,054,495	32,880	98,732,635
Temporarily restricted	39,975,201	82,739,748	11,431,023	134,145,972
Permanently restricted	-	170,721,898	11,216,388	181,938,286
Total net assets	<u>111,620,461</u>	<u>280,516,141</u>	<u>22,680,291</u>	<u>414,816,893</u>
Total liabilities and net assets	<u>\$ 122,325,678</u>	<u>\$ 615,245,511</u>	<u>\$ 140,001,493</u>	<u>\$ 877,572,682</u>

See accompanying Independent Auditor's Report.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION BY FUND
January 31, 2015

	General Operating and Other Restricted Funds	Endowment Funds	Deferred Gift Funds	Total
ASSETS				
Cash and cash equivalents	\$ 31,826,924	\$ 10,593,823	\$ 6,048,189	\$ 48,468,936
Accounts receivable	8,941,712	20,353	407,842	9,369,907
Interest receivable	150,022	-	605,529	755,551
Due to/from related organizations	2,011,415	(1,398,222)	79,181	692,374
Investments	39,379,423	573,706,323	147,525,544	760,611,290
Prepaid expenses and other assets	6,828,790	3,756,320	1,025,903	11,611,013
Mortgages, notes, and contracts for deed	656,463	-	905,000	1,561,463
Overseas church construction loans	668,002	-	-	668,002
Property, furniture, and equipment, net	29,631,027	-	-	29,631,027
Beneficial interest in perpetual trusts	-	21,387,841	1,034,727	22,422,568
Total assets	<u>\$ 120,093,778</u>	<u>\$ 608,066,438</u>	<u>\$ 157,631,915</u>	<u>\$ 885,792,131</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 4,303,871	\$ 18,849	\$ 27,349	\$ 4,350,069
Deferred revenue	3,925,280	387,297	1,164,255	5,476,832
Accrued liabilities	1,914,856	-	100	1,914,956
Annuities payable	-	-	86,046,931	86,046,931
Notes payable	104,200	-	-	104,200
Funds held for others	63,426	244,532,810	43,646,586	288,242,822
Funds held for others in perpetuity	-	71,947,873	-	71,947,873
Total liabilities	<u>10,311,633</u>	<u>316,886,829</u>	<u>130,885,221</u>	<u>458,083,683</u>
Net assets				
Unrestricted	70,324,693	30,550,805	32,880	100,908,378
Temporarily restricted	39,457,452	94,232,975	12,868,587	146,559,014
Permanently restricted	-	166,395,829	13,845,227	180,241,056
Total net assets	<u>109,782,145</u>	<u>291,179,609</u>	<u>26,746,694</u>	<u>427,708,448</u>
Total liabilities and net assets	<u>\$ 120,093,778</u>	<u>\$ 608,066,438</u>	<u>\$ 157,631,915</u>	<u>\$ 885,792,131</u>

See accompanying Independent Auditor's Report.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ADMINISTRATIVE OFFICES
CONSOLIDATED SCHEDULES OF EXPENSES BY OBJECT
Years ended January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Financial support - grants	\$ 53,542,516	\$ 53,357,149
Compensation		
Central staff	23,632,240	23,095,950
Missionaries	2,363,235	2,587,660
Employee benefits		
Central staff	11,558,651	10,260,782
Missionaries	1,368,734	1,301,324
Retiree pension expenses	(188,996)	(225,809)
Postretirement health care benefits	1,500,000	4,000,000
Travel - staff, board, and committees	4,790,697	4,605,663
Special events	6,245,162	1,809,323
Office expenses	1,346,338	876,179
Printing/duplicating	2,370,253	2,755,292
Purchased services	4,943,217	3,367,307
Regional office expenses	1,310,082	1,151,461
Insurance	796,610	820,231
Interest expense	2,278	3,210
Facilities and utilities	2,360,321	2,414,210
Non-capitalized equipment, repairs, and rentals	1,009,160	949,796
Depreciation	2,882,972	2,924,721
Miscellaneous	<u>205,980</u>	<u>146,129</u>
 Total operating expenses	 <u>122,039,450</u>	 <u>116,200,578</u>
 Investment expense	 5,939,767	 2,013,024
Endowment interest payments and distribution	<u>21,008,845</u>	<u>35,973,679</u>
 Total expenses	 <u>\$ 148,988,062</u>	 <u>\$ 154,187,281</u>

See accompanying Independent Auditor's Report.