

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

**CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2018 and 2017



EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES

CONSOLIDATED FINANCIAL STATEMENTS  
January 31, 2018 and 2017

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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, 2018 and 2017, 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.

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(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, 2018 and 2017, 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, 2018 and 2017, 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 Statements 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.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Chicago, Illinois  
June 6, 2018

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
January 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 52,170,258	\$ 29,520,013
Accounts receivable (Note 2)	9,632,888	8,563,165
Interest receivable	157,615	144,531
Due from related organizations	4,266,480	2,294,780
Investments (Note 3)	914,875,314	810,988,826
Prepaid expenses and other assets	10,029,446	11,735,328
Mortgages, notes, and contracts for deed (Note 4)	224,730	250,736
Overseas church construction loans (Note 5)	524,366	345,488
Property, furniture, and equipment, net (Note 6)	25,972,123	26,931,531
Beneficial interest in perpetual trusts (Note 3)	21,096,543	20,250,143
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,038,949,763</u>	<u>\$ 911,024,541</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 3,716,238	\$ 4,009,473
Deferred revenue	6,254,329	1,168,436
Due to related organizations	5,226,011	-
Accrued liabilities	3,609,019	3,489,705
Annuities payable (Note 7)	77,811,498	77,369,693
Funds held for others	385,715,067	331,958,899
Funds held for others in perpetuity	86,447,848	74,931,844
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>568,780,010</u>	<u>492,928,050</u>
Net assets		
Unrestricted (Note 18)	96,254,544	97,548,504
Temporarily restricted (Note 19)	182,043,970	135,618,688
Permanently restricted (Note 20)	191,871,239	184,929,299
	<u>                    </u>	<u>                    </u>
Total net assets	<u>470,169,753</u>	<u>418,096,491</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 1,038,949,763</u>	<u>\$ 911,024,541</u>

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended January 31, 2018

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue and support					
Contributed support					
Synod mission support (Note 15)	\$ 44,418,429	\$ -	\$ -	\$ 44,418,429	\$ 45,173,180
World Hunger Appeal	-	19,372,469	-	19,372,469	19,040,059
Global Church sponsorship	3,415,100	177,669	-	3,592,769	3,414,126
Disaster response	-	22,804,285	-	22,804,285	5,843,267
Vision for Mission	534,815	-	-	534,815	621,074
Deferred gift contributions	-	297,048	160,690	457,738	1,242,590
Endowment contributions	1,600,659	6,480,365	4,862,691	12,943,715	7,319,714
Mission Investment Fund	1,978,305	60,000	-	2,038,305	1,500,000
Bequests, trusts, and residuums	1,971,270	1,381,287	-	3,352,557	5,811,679
Grants—corporate and other	-	179,960	-	179,960	1,738,882
Other gifts	1,934,792	5,521,502	-	7,456,294	6,300,947
Total contributed revenue	<u>55,853,370</u>	<u>56,274,585</u>	<u>5,023,381</u>	<u>117,151,336</u>	<u>98,005,518</u>
Other revenue					
Dividend and interest income	4,220,236	190,926	-	4,411,162	1,978,604
Realized gains (losses)	160,477	-	-	160,477	(64,485)
Unrealized gains	815,963	-	-	815,963	625,306
Endowment distributions	5,608,974	4,813,787	-	10,422,761	9,120,066
Regional & SPPO offices' revenue	544,950	-	-	544,950	2,228,472
Services and other revenue	3,865,546	-	-	3,865,546	4,598,757
Lease income	1,496,073	-	-	1,496,073	1,843,915
Total other revenue	<u>16,712,219</u>	<u>5,004,713</u>	<u>-</u>	<u>21,716,932</u>	<u>20,330,635</u>
Net assets released from restrictions					
Satisfaction of program restrictions (Note 14)	32,501,163	(32,501,163)	-	-	-
Income expended from investments held in perpetuity	4,106,728	(4,106,728)	-	-	-
Change in donor designation and expiration of time restrictions	-	(400,708)	141,192	(259,516)	(34,188)
Net assets released from restrictions	<u>36,607,891</u>	<u>(37,008,599)</u>	<u>141,192</u>	<u>(259,516)</u>	<u>(34,188)</u>
Total operating revenue and support	<u>109,173,480</u>	<u>24,270,699</u>	<u>5,164,573</u>	<u>138,608,752</u>	<u>118,301,965</u>
Operating expenses					
Program services					
Domestic Mission	39,134,648	-	-	39,134,648	36,081,341
Global Mission	31,939,474	-	-	31,939,474	35,519,340
Mission Advancement	4,823,135	-	-	4,823,135	5,238,229
Church periodicals	2,141,134	-	-	2,141,134	2,142,169
Office of the Presiding Bishop	3,598,598	-	-	3,598,598	2,249,051
ELCA Foundation	2,571,494	-	-	2,571,494	-
SPPO offices' expense	1,489,468	-	-	1,489,468	1,824,449
Retiree's pension	2,796,028	-	-	2,796,028	66,599
Post-retirement health care benefits (Note 10)	1,000,000	-	-	1,000,000	1,000,000
Total program services	<u>89,493,979</u>	<u>-</u>	<u>-</u>	<u>89,493,979</u>	<u>84,121,178</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended January 31, 2018

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Expenses (Continued)					
Management and general					
Office of the Presiding Bishop	\$ 5,071,638	\$ -	\$ -	\$ 5,071,638	\$ 5,435,598
Office of the Treasurer	8,258,555	-	-	8,258,555	8,615,645
Office of the Secretary	3,632,492	-	-	3,632,492	6,342,241
Mission Advancement	3,585,256	-	-	3,585,256	2,170,433
Total management and general	20,547,941	-	-	20,547,941	22,563,917
Fundraising					
Mission Advancement	7,925,724	-	-	7,925,724	8,567,382
Total fundraising	7,925,724	-	-	7,925,724	8,567,382
Total operating expenses	117,967,644	-	-	117,967,644	115,252,477
Net operating revenue and support less operating expenses	(8,794,164)	24,270,699	5,164,573	20,641,108	3,049,488
Non-operating transactions					
Recovery of underwater endowment balances (Note 21)	692,480	(692,480)	-	-	-
Dividend and interest income	12,940,339	5,227,243	-	18,167,582	16,698,096
Realized gains	55,229,764	20,171,357	254,750	75,655,871	12,341,988
Endowment distributions and other investing expenses	(61,830,078)	(7,204,451)	-	(69,034,529)	(32,643,155)
Unrealized gains	467,699	5,367,741	1,562,631	7,398,071	3,323,311
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	786,817	786,817	(557,128)
Change in value of split interest agreements	-	(714,827)	(826,831)	(1,541,658)	1,066,998
Total non-operating transactions	7,500,204	22,154,583	1,777,367	31,432,154	230,110
Changes in net assets	(1,293,960)	46,425,282	6,941,940	52,073,262	3,279,598
Net assets at beginning of year	97,548,504	135,618,688	184,929,299	418,096,491	414,816,893
Net assets at end of year	\$ 96,254,544	\$ 182,043,970	\$ 191,871,239	\$ 470,169,753	\$ 418,096,491

See accompanying notes to consolidated financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended January 31, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue and support				
Contributed support				
Synod mission support (Note 15)	\$ 45,173,180	\$ -	\$ -	\$ 45,173,180
World Hunger Appeal	-	19,040,059	-	19,040,059
Global Church sponsorship	3,239,446	174,680	-	3,414,126
Disaster response	-	5,843,267	-	5,843,267
Vision for Mission	621,074	-	-	621,074
Deferred gift contributions	-	296,115	946,475	1,242,590
Endowment contributions	(243,707)	4,535,065	3,028,356	7,319,714
Mission Investment Fund	1,500,000	-	-	1,500,000
Bequests, trusts, and residuums	3,402,192	2,409,487	-	5,811,679
Grants—corporate and other	329,985	1,408,897	-	1,738,882
Other gifts	1,682,315	4,618,632	-	6,300,947
Total contributed revenue	<u>55,704,485</u>	<u>38,326,202</u>	<u>3,974,831</u>	<u>98,005,518</u>
Other revenue				
Dividend and interest income	1,912,480	66,124	-	1,978,604
Realized gains (losses)	(64,485)	-	-	(64,485)
Unrealized gains (losses)	625,306	-	-	625,306
Endowment distributions	4,195,641	4,924,425	-	9,120,066
Regional & SPPO offices' revenue	2,228,472	-	-	2,228,472
Services and other revenue	4,598,757	-	-	4,598,757
Lease income	1,843,915	-	-	1,843,915
Total other revenue	<u>15,340,086</u>	<u>4,990,549</u>	<u>-</u>	<u>20,330,635</u>
Net assets released from restrictions				
Satisfaction of program restrictions (Note 14)	34,929,041	(34,929,041)	-	-
Income expended from investments held in perpetuity	6,609,051	(6,609,051)	-	-
Change in donor designation and expiration of time restrictions	-	7,618	(41,806)	(34,188)
Net assets released from restrictions	<u>41,538,092</u>	<u>(41,530,474)</u>	<u>(41,806)</u>	<u>(34,188)</u>
Total operating revenue and support	<u>112,582,663</u>	<u>1,786,277</u>	<u>3,933,025</u>	<u>118,301,965</u>
Operating expenses				
Program services				
Domestic Mission	36,081,341	-	-	36,081,341
Global Mission	35,519,340	-	-	35,519,340
Mission Advancement	5,238,229	-	-	5,238,229
Church periodicals	2,142,169	-	-	2,142,169
Office of the Presiding Bishop	2,249,051	-	-	2,249,051
Regional & SPPO offices' expense	1,824,449	-	-	1,824,449
Retiree's pension	66,599	-	-	66,599
Post-retirement health care benefits (Note 10)	1,000,000	-	-	1,000,000
Total program services	<u>84,121,178</u>	<u>-</u>	<u>-</u>	<u>84,121,178</u>

(Continued)



EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended January 31, 2017

	2017			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 5,435,598	\$ -	\$ -	\$ 5,435,598
Office of the Treasurer	8,615,645	-	-	8,615,645
Office of the Secretary	6,342,241	-	-	6,342,241
Mission Advancement	<u>2,170,433</u>	<u>-</u>	<u>-</u>	<u>2,170,433</u>
Total management and general	<u>22,563,917</u>	<u>-</u>	<u>-</u>	<u>22,563,917</u>
Fundraising				
Mission Advancement	<u>8,567,382</u>	<u>-</u>	<u>-</u>	<u>8,567,382</u>
Total fundraising	<u>8,567,382</u>	<u>-</u>	<u>-</u>	<u>8,567,382</u>
Total operating expenses	<u>115,252,477</u>	<u>-</u>	<u>-</u>	<u>115,252,477</u>
Net operating revenue and support less operating expenses	(2,669,814)	1,786,277	3,933,025	3,049,488
Non-operating transactions				
Transfer to cover underw ater endow ment balances (Note 21)	530,580	(530,580)	-	-
Dividend and interest income	14,756,113	1,941,983	-	16,698,096
Realized gains (losses)	11,140,514	1,228,642	(27,168)	12,341,988
Endow ment distributions and other investing expenses	(25,502,121)	(7,141,034)	-	(32,643,155)
Unrealized gains (losses)	560,597	3,712,199	(949,485)	3,323,311
Change in fair value of beneficial interest in outside trusts (Note 3)	-	-	(557,128)	(557,128)
Change in value of split interest agreements	<u>-</u>	<u>475,229</u>	<u>591,769</u>	<u>1,066,998</u>
Total non-operating transactions	<u>1,485,683</u>	<u>(313,561)</u>	<u>(942,012)</u>	<u>230,110</u>
Changes in net assets	(1,184,131)	1,472,716	2,991,013	3,279,598
Net assets at beginning of year	<u>98,732,635</u>	<u>134,145,972</u>	<u>181,938,286</u>	<u>414,816,893</u>
Net assets at end of year	<u>\$ 97,548,504</u>	<u>\$135,618,688</u>	<u>\$184,929,299</u>	<u>\$418,096,491</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 52,073,262	\$ 3,279,598
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,687,696	3,159,956
Gain on investments, net	(83,775,634)	(18,934,545)
Acquisition of investments through gifts	(99,342)	(2,181,974)
Gifts restricted for long-term investment	(4,862,691)	(3,028,356)
(Gain) loss on beneficial interest in perpetual trusts	(846,400)	602,595
Loss on sale/disposal of property, furniture and equipment	95,655	-
Currency exchange loss on overseas loan	466	5,041
Changes in		
Accounts receivable	(1,069,723)	19,363
Interest receivable	(13,084)	533,846
Prepaid expenses and other assets	1,696,906	644,250
Accounts payable	(293,235)	(4,301,236)
Deferred revenue	5,085,893	(183,249)
Due to/from related organizations	3,254,311	2,169,191
Accrued liabilities	131,570	1,226,220
Funds held for others	53,756,168	31,688,121
Funds held for others in perpetuity	11,516,004	4,725,637
Net cash provided by operating activities	39,337,822	19,424,458
<b>Cash flows from investing activities</b>		
Purchase and acquisition of equipment	(1,949,967)	(2,263,903)
Proceeds from sale of assets	135,000	-
Payments received on mortgages, notes, and contracts for deed	26,006	884,171
Payments received on overseas church construction loans	(179,344)	105,493
Purchase of investments	(174,736,264)	(192,155,091)
Proceeds from sale of investments	154,724,752	158,912,096
Net cash provided by (used in) investing activities	(21,979,817)	(34,517,234)
<b>Cash flows from financing activities</b>		
Proceeds from gifts restricted for long-term investment	4,862,691	3,028,356
Annuities payable	441,805	(2,938,442)
Payments on mortgage payable, notes payable, and capital leases	(12,256)	(44,790)
Net cash provided by financing activities	5,292,240	45,124
Increase (decrease) in cash and cash equivalents	22,650,245	(15,047,652)
Cash and cash equivalents at beginning of year	29,520,013	44,567,665
Cash and cash equivalents at end of year	<u>\$ 52,170,258</u>	<u>\$ 29,520,013</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 154	\$ 1,070
Gifts of investments	99,342	2,181,974

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, 2018 and 2017

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**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.

Effective January 1, 2018, the Endowment Fund of the Evangelical Lutheran Church in America (ELCA), doing business as the ELCA Foundation, became a separately incorporated ministry/corporation of the Evangelical Lutheran Church in America (ELCA). This corporation will manage the Endowment Fund of the ELCA, the Charitable Remainder Trust (CRT), and the Charitable Gift Annuity (CGA) programs. Net assets of the CRTs and CGAs will be included in the ELCA consolidated financial statements for the year ended January 31, 2018. Trusteeship of the existing CRTs has been moved from the ELCA to the Endowment Fund of the ELCA effective February 1, 2018. The CGAs will be moved from the ELCA to the Endowment Fund of the ELCA in stages and in compliance with applicable state regulations.

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 Endowment Fund of the ELCA (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.

Effective February 28, 2017, the Regional Coordinator positions have ended in each Region. These positions were part of the Domestic Missions Unit. The responsibilities of the regional coordinator have been transitioned to the respective synods who have stepped into the fiduciary role of each region. On January 31, 2018 and for the year then ended, the Regional assets, liabilities, revenue, expenses, and net assets are, therefore, not included in the consolidated financials.

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 Endowment Fund of the ELCA have been eliminated from the accompanying consolidated financial statements.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA  
CHURCHWIDE ADMINISTRATIVE OFFICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Years ended January 31, 2018 and 2017

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

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. Certain funds, generally set aside by Church Council action, function as endowments and are included in unrestricted net assets.

*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.

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(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, investments in pools and alternative investments. 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.

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.

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(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Income Tax: The Church has received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no significant unrelated business income activities during the years ended January 31, 2018 and 2017.

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, 2018 and 2017.

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

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, 2014. 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 in the prior year financial statements have been reclassified, with no effect on net assets or change in net assets, to conform to the current year presentation.

Recently Adopted Accounting Guidance: In January 2016, the FASB issued (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU affects not-for-profit entities by eliminating the requirement for not-for-profit entities to disclose certain information about the fair value of financial instruments not recorded at fair value and simplify the impairment assessment of an equity security that does not have a readily determinable fair value. Effective January 31, 2018, the Church has early implemented this ASU and is therefore no longer required to provide the fair value disclosures that are measured and carried at cost or amortized cost.

Recent Accounting Pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14 (ASU 2016-14), *Not-for-Profit Entities: Topic 958*. The amendments in this update affect not-for-profit entities (NFPs) and the users of their general purpose financial statements. The amendments in this Update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Church will adopt ASU 2016-14 for the year ended January 31, 2019 and is in the process of assessing the effect on the Church's financial statements.

**NOTE 2 - ACCOUNTS RECEIVABLE**

Included in accounts receivable at January 31, 2018 and 2017, were \$6,999,248 and \$7,168,060, 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 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.

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(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments at January 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Investments in pools		
Common stocks	\$ 313,063,097	\$ 320,094,422
Non-U.S. stocks	239,234,470	153,421,290
Government and corporate bonds	115,657,066	135,514,899
Inflation-indexed securities	36,947,683	30,935,290
High-yield securities	62,932,149	63,494,421
Real estate investment securities	49,880,324	62,954,529
Other	1,228,283	1,094,419
Direct investments		
Equity securities		
U.S. equity securities	704,781	521,143
Fixed income securities		
U.S. government obligations	12,608,610	14,417,687
Corporate bonds	24,223,847	22,218,324
Alternative investments		
Absolute return	25,613,603	-
Infrastructure	19,000,000	-
Alternative equities	3,500,000	-
Cash equivalents	3,059,872	-
Mission Investment Fund	3,541,563	3,645,134
Real estate investments (at cost)	2,679,966	2,677,268
Cash and cash equivalents	1,000,000	-
	<u>\$ 914,875,314</u>	<u>\$ 810,988,826</u>

Of the \$914,875,314 and \$810,988,826 of total investments held at January 31, 2018 and 2017, \$863,994,278 and \$763,233,451 are valued at December 31, 2017 and 2016, 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 paid to outside organizations were \$1,267,306 and \$2,577,679 for the years ended January 31, 2018 and 2017, respectively.

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(Continued)



EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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 \$486,700 and \$930,600 on temporarily restricted investments and \$571,300 and \$913,800 on permanently restricted investments for the years ended January 31, 2018 and 2017, respectively, with offsetting increases in certain liabilities reported.

Also, unrealized gains (losses) of \$9,344,581 and (\$3,968,121) on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2018 and 2017, 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, investments in pools and alternative investments.

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 Church's units.

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(Continued)

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).

*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).

*Alternative Investments:* The absolute return, infrastructure and alternative equities funds are collectively referred to as alternative investments, whose values have been estimated by the Church in the absence of readily ascertainable market values. The Church's estimate of fair value is generally based on the net asset value per share (NAV) provided to the Church by each alternative investment fund, supported by the independently audited financial statements of the alternative investment fund, when available. For those alternative investment funds for which independently audited financial statements in accordance with accounting principles generally accepted in the United States of America are not provided, the Church bases its estimate of fair value on the unaudited information calculated by the respective alternative investment fund's management and reported to the Church.

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(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**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, 2018 and 2017:

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Direct investments				
Equity securities				
U.S. equity securities	704,781	-	-	704,781
Fixed income securities				
U.S. government obligations	12,608,610	-	-	12,608,610
Corporate bonds	-	24,223,847	-	24,223,847
Mission Investment Fund	-	3,541,563	-	3,541,563
Cash and cash equivalents	4,059,872	-	-	4,059,872
Investments held at fair value	<u>\$ 17,373,263</u>	<u>\$ 27,765,410</u>	<u>\$ -</u>	<u>\$ 45,138,673</u>
Investments at net asset value per share				867,056,675
Total investments at fair value				912,195,348
Equity securities and physical real estate held at cost*				2,679,966
Total investments				<u>\$ 914,875,314</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,096,543</u>	<u>\$ 21,096,543</u>
	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Direct investments				
Equity securities				
U.S. equity securities	\$ 521,143	-	-	\$ 521,143
Fixed income securities				
U.S. government obligations	14,417,687	-	-	14,417,687
Corporate bonds	50,907	22,167,417	-	22,218,324
Mission Investment Fund	-	3,645,134	-	3,645,134
Investments held at fair value	<u>\$ 14,989,737</u>	<u>\$ 25,812,551</u>	<u>\$ -</u>	<u>\$ 40,802,288</u>
Investments at net asset value per share				767,509,270
Total investments at fair value				808,311,558
Equity securities and physical real estate held at cost*				2,677,268
Total investments				<u>\$ 810,988,826</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,250,143</u>	<u>\$ 20,250,143</u>

\* Physical real estate investments, comprised of land and building held by the Church at cost, were \$1,384,538 and \$1,381,840 as of January 31, 2018 and 2017, respectively, and were not included in the fair value tables above.

(Continued)

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

The table below rolls forward balances for Level 3 beneficial interest in perpetual trusts from February 1, 2016, through January 31, 2018:

Balance as of February 1, 2016	\$ 20,852,738
Unrealized losses -	
Funds held for others	(45,467)
Permanently restricted	<u>(557,128)</u>
Balance as of January 31, 2017	<u>\$ 20,250,143</u>
Unrealized gains -	
Funds held for others	59,583
Permanently restricted	<u>786,817</u>
Balance as of January 31, 2018	<u>\$ 21,096,543</u>

Unrealized losses/gains 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, 2018 and 2017, that are still held at January 31, 2018 and 2017, totaled \$846,400 and (\$602,595), respectively.

Alternative Investment Capital Contributions: The Church made capital contributions to alternative investments as called for by the investment agreements in 2018:

<u>Investment Strategies</u>	<u>2018</u>
Absolute return	\$ 25,000,000
Infrastructure	19,000,000
Alternative equities	<u>3,500,000</u>
Total	<u>\$ 47,500,000</u>

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(Continued)

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

Alternative Investment Strategy and Redemption Information: The investment strategy types, commitments to additional capital contributions, and various features of the alternative investment portfolio as of January 31, 2018, are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Absolute return (a)	\$ 25,613,603	\$ -
Infrastructure (b)	19,000,000	3,000,000
Alternative equities (c)	<u>3,500,000</u>	<u>146,500,000</u>
Total	<u>\$ 48,113,603</u>	<u>\$ 149,500,000</u>

- (a) This single-investor fund shall invest its assets in a manner consistent with the Fund's "Investment Objectives, Investment Strategy and Approach, Performance Objectives and Portfolio Constraints" (the "Guidelines"), as may be agreed upon between the Fund Manager and the initial shareholder. The Fund's investment objectives are: (i) to generate a superior absolute and risk-adjusted rate of return, with low performance volatility and low correlation with global equity and fixed-income markets, over a full-market cycle; and (ii) to preserve capital during challenging market environments. The ability of a Shareholder to redeem shares is dependent on the withdrawal/redemption provisions of the limited liability private investment vehicles ("Portfolio Funds") in which the Fund invests. Furthermore, the Church may at any time request Grosvenor to redeem from all Portfolio funds and terminate the Fund. Liquidity of the underlying investments range between daily and every three years.
- (b) This fund strategy is built around the acquisition of portfolios of infrastructure bank debt creating pools totaling \$1.0 billion to \$1.5 billion. The fund seeks to select individual senior secured, floating rate, and infrastructure loans. Repurchase requests can be submitted semi-annually; payment subject to best efforts. Redemption dates occur two times a year on March 31 and September 30. Redemptions requests must be received during the applicable redemption notice period. For the March 31 redemption date, notices must be received between November 15 and December 31 of the previous year. Redemption requests for the September 30 date must be received between May 15 and June 30 of the same year. If a repurchase request is received after the expiration of the repurchase notice period, then it will be considered a request for the following repurchase date.
- (c) This single-investor fund focuses on multiple investment strategies, vintage years and geographies across primary fund investments, secondaries and co-investments. The fund is primarily focused on small and mid-sized private equity funds, while seeking diversification through secondary markets, delayed primary markets and credit investments. Private Equity Funds are typically organized to have a limited life cycle, typically 10-15 years. During this life cycle, the fund manager will call capital from the investors (or Limited Partners), invest that capital into underlying investments (companies), hold those investments, and finally sell those investments and send the proceeds (also known as Distributions) to the fund's investors. The first five years of the fund's life are typically referred to as the "Investment Period," and the subsequent years, the "Post-Investment Period". There will be no distributions from the General Partner prior to 2022. After this time the General Partner may make distributions at their discretion.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA  
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**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 by investing in a diversified portfolio that consist of equity-based, fixed-income and alternative investments. 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) and in Portico SP Bond 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. 25% of the CGA Reserve Fund less Florida reserves which will be invested in time deposits and certificates of deposits, will be invested in the SP Bond Fund.

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, 2017	Difference
U.S. Equity Securities	22-32%	27%	29.7%	2.7%
Non-U.S. Equity Securities	25-35%	30%	32.7%	2.7%
Investment Grade Fixed Income Securities	3.5-13.5%	8.5%	10.0%	1.5%
High-Yield Fixed Income Securities	3.5-13.5%	8.5%	8.7%	0.2%
Global Real Estate Securities	0-10%	5%	6.8%	1.8%
U.S. Inflation-Indexed Securities	0-10%	5%	5.0%	0.0%
Illiquid Real Assets	0-10%	5%	0.0%	-5.0%
Absolute Return	0-8%	3%	3.5%	0.5%
Infrastructure	0-8%	3%	2.6%	-0.4%
Alternative Equities	0-10%	5%	0.5%	-4.5%
Cash and Cash Equivalents	Residual	0%	0.5%	0.5%

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, 2018 and 2017, are summarized as follows:

	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
Partnership support loans to congregations	0%	\$ 224,730	\$ 250,736

There is one segment and one class in this portfolio.

(Continued)

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

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 as of January 31, 2018. 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, 2018 and 2017 are \$524,366 and \$345,488, 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, 2018 and 2017, 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>2018</u>	<u>2017</u>
Middle East	\$ 87,239	\$ 87,239
Asia/Pacific	17,294	47,108
Africa	250,000	-
Latin America/Caribbean	<u>170,299</u>	<u>211,141</u>
Total overseas construction loans	<u>\$ 524,832</u>	<u>\$ 345,488</u>
Less: currency exchange	<u>(466)</u>	<u>-</u>
Net overseas construction loans	<u>\$ 524,366</u>	<u>\$ 345,488</u>

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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, 2018 and 2017 are presented below:

	<u>2018</u>	<u>2017</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	50,928,318	50,222,610
Furniture and equipment	11,758,157	11,733,405
Work in progress	974,738	78,340
	<u>63,794,213</u>	<u>62,167,355</u>
Less accumulated depreciation	<u>(37,822,090)</u>	<u>(35,235,824)</u>
Totals	<u>\$ 25,972,123</u>	<u>\$ 26,931,531</u>

Depreciation expense for the years ended January 31, 2018 and 2017 was \$2,687,696 and \$3,159,956, 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 Report and Tables (2012 IAR) 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 30% 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.

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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 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, 2017 and 2016, is as follows:

	2017		2016	
	<u>Deferred Revenue</u>	<u>Annuity Payable</u>	<u>Deferred Revenue</u>	<u>Annuity Payable</u>
Charitable remainder annuity trusts	\$ -	\$ 1,494,104	\$ -	\$ 1,613,575
Charitable remainder unitrusts	-	36,270,595	-	33,557,490
Charitable gift annuities	-	40,046,799	-	42,198,628
Pooled income funds	674,946	-	871,345	-
Life income funds	57,201	-	59,033	-
Life income estates	82,275	-	65,705	-
	<u>\$ 814,422</u>	<u>\$ 77,811,498</u>	<u>\$ 996,083</u>	<u>\$ 77,369,693</u>

The summary of recorded amounts listed above is as of December 31, 2017 and 2016, which management believes is not materially different than if the amounts were recorded as of January 31, 2018 and 2017.

Adjustments to the liability to reflect amortization of the discount and changes in actuarial assumptions are recognized in the statements 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 \$118,000 and \$153,000 for the years ended January 31, 2018 and 2017, 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.

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**NOTE 9 - DEFINED-CONTRIBUTION PENSION PLAN**

Substantially all active employees of the Church are enrolled in the noncontributory defined-contribution pension plan administered by Portico Benefit Services. The employer contributions to the plan for the years ended January 31, 2018 and 2017, were \$3,535,693 and \$3,449,815, 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 Portico Benefit Services are insufficient to fund the plan. During the years ended January 31, 2018 and 2017, the Church made no payments to Portico Benefit Services to cover the cost of retirees' pension benefits.

In November 2016 ELCA Church Council approved to terminate the ELCA Supplemental Retirement Benefits Trust ("Trust") and the ELCA Continuation of the ALC and LCA Minimum and Non-Contributory Pension Plan ("Pension Plan"), including satisfaction of the Pension Plan's liabilities. The liability payout occurred during 2017, and was in the amount of \$888,272. The remainder of the excess of plan assets over actuarial liabilities was distributed in 2017 and early 2018.

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 8,600 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, 2017 and 2016, include the trust assets of approximately \$109,148,000 and \$101,729,000, respectively, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$156,426,000 and \$145,788,000, respectively.

The Church contributed \$1,000,000 during fiscal years ended January 31, 2018 and 2017, respectively, toward the funding of this post-retirement health care benefit and expects to contribute \$2,000,000 during the fiscal year ending January 31, 2019. During fiscal years ended January 31, 2018 and 2017, 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, 2019, are expected to be about \$4,500,000. The contribution rates, including the contribution for retiree support, are set annually by the Board of Trustees of Portico.

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**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 \$434,599, and \$414,093 for the years ended January 31, 2018 and 2017, 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>
2019	\$ 90,572	\$ 108,876	\$ 199,448
2020	<u>-</u>	<u>49,538</u>	<u>49,538</u>
Total	<u>\$ 90,572</u>	<u>\$ 158,414</u>	<u>\$ 248,986</u>

**NOTE 12 - COLLECTIONS**

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

**NOTE 13 - LINE OF CREDIT**

At January 31, 2018, 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 plus 2.0%. There were no borrowings outstanding under the line of credit at January 31, 2018 or 2017, 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 years ended January 31:

	<u>2018</u>	<u>2017</u>
Satisfaction of program restrictions:		
World Hunger	\$ 23,059,707	\$ 21,408,238
Disaster Relief	4,630,626	5,291,382
Domestic Mission	1,594,110	3,478,855
Global Mission	1,143,898	2,656,044
Office of the Presiding Bishop	552,651	1,119,880
Other programs	<u>1,520,171</u>	<u>974,642</u>
Satisfaction of program restrictions	<u>\$ 32,501,163</u>	<u>\$ 34,929,041</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 9 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>2018</u>	<u>2017</u>
Region 1 – Northwest	\$ 2,281,295	\$ 2,257,625
Region 2 – Southwest	3,857,398	3,837,392
Region 3 – Northwest Midwest	7,063,601	7,098,003
Region 4 – Southwest Midwest	4,312,451	4,381,718
Region 5 – Northeast Midwest	9,306,534	9,701,586
Region 6 – Southeast Midwest	3,984,426	3,988,869
Region 7 – Northeast	4,428,025	4,634,606
Region 8 – East	4,447,307	4,525,336
Region 9 – Southeast	<u>4,737,392</u>	<u>4,748,045</u>
Total synod mission support	<u>\$ 44,418,429</u>	<u>\$ 45,173,180</u>

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**NOTE 16 - 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 \$1,305,099 and \$768,000 in fees for the fiscal years ended 2018 and 2017, respectively.

**NOTE 17 - UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following at January 31:

	<u>2018</u>	<u>2017</u>
General	\$ 39,320,491	\$ 42,793,766
Funds functioning as endowment (Note 21)	30,961,930	28,515,687
Underwater portion of donor-restricted endowment funds (Note 21)	-	(692,480)
Net investment in property, furniture, equipment and building	<u>25,972,123</u>	<u>26,931,531</u>
	<u><u>\$ 96,254,544</u></u>	<u><u>\$ 97,548,504</u></u>

**NOTE 18 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Program-restricted:		
Disaster Relief	\$ 30,879,102	\$ 10,254,227
World Hunger	9,109,556	8,714,715
Office of the Presiding Bishop	655,920	917,034
Domestic Mission	6,575,991	9,568,998
Global Mission	4,718,939	2,640,171
Mission Advancement	<u>2,814,722</u>	<u>2,238,075</u>
	54,754,230	34,333,220
Time-restricted, expendable in subsequent years	<u>127,289,740</u>	<u>101,285,468</u>
	<u><u>\$ 182,043,970</u></u>	<u><u>\$ 135,618,688</u></u>

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**NOTE 19 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to:

	<u>2018</u>	<u>2017</u>
Investments in perpetuity, the income from which is expendable (Note 21)	\$ 177,068,768	\$ 171,278,068
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	12,701,637	11,805,147
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,100,834</u>	<u>1,846,084</u>
	<u>\$ 191,871,239</u>	<u>\$ 184,929,299</u>

**NOTE 20 - 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.

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**NOTE 20 - ENDOWMENT FUNDS (Continued)**

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 \$0 and \$37,545,000 at December 31, 2017 and 2016, respectively. At December 31, 2017, no loss was reported in unrestricted net assets and there were no underwater endowment balances. During the year, approximately \$692,000 has been classified from temporarily restricted to unrestricted net assets.

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 rates established for fiscal years ended January 31, 2018 and 2017, were 4.0%, respectively, and are 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 2018 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, 2017, 74 of 2,558 accounts had accumulated undistributed earnings compared to 244 of 2,441 at December 31, 2016.

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 40 basis points over rolling five-year time periods. Actual returns in any given year may vary from this objective.

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.

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**NOTE 20 - ENDOWMENT FUNDS** (Continued)

Net asset composition by type of endowment fund as of January 31, 2018 and 2017:

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ -	\$ 113,299,873	\$ 179,169,602	\$ 292,469,475
Funds functioning as endowment	<u>30,961,930</u>	<u>-</u>	<u>-</u>	<u>30,961,930</u>
	<u>\$ 30,961,930</u>	<u>\$ 113,299,873</u>	<u>\$ 179,169,602</u>	<u>\$ 323,431,405</u>
	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds*	\$ (692,480)	\$ 85,329,636	\$ 173,124,152	\$ 257,761,308
Funds functioning as endowment	<u>28,515,687</u>	<u>-</u>	<u>-</u>	<u>28,515,687</u>
	<u>\$ 27,823,207</u>	<u>\$ 85,329,636</u>	<u>\$ 173,124,152</u>	<u>\$ 286,276,995</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.

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**NOTE 20 - ENDOWMENT FUNDS (Continued)**

	Endowment Roll-Forward			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2017	\$ 27,823,207	\$ 85,329,636	\$ 171,278,068	\$ 284,430,911
Investment return:				
Net investment income	10,048,582	2,812,033	-	12,860,615
Net gain in fair value (realized and unrealized)	55,697,463	24,367,805	786,817	80,852,085
Total investment return	<u>65,746,045</u>	<u>27,179,838</u>	<u>786,817</u>	<u>93,712,700</u>
New gifts	1,785,447	6,480,365	4,862,691	13,128,503
Net assets released from restriction	4,596,778	(4,997,486)	141,192	(259,516)
Other changes				
Distribution of endowment income	(69,682,027)	-	-	(69,682,027)
Total other changes	<u>(69,682,027)</u>	<u>-</u>	<u>-</u>	<u>(69,682,027)</u>
Transfer to cover underwater endowment balances	<u>692,480</u>	<u>(692,480)</u>	<u>-</u>	<u>-</u>
Net assets, January 31, 2018	<u>30,961,930</u>	<u>113,299,873</u>	<u>177,068,768</u>	<u>321,330,571</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>2,100,834</u>	<u>2,100,834</u>
Net assets, January 31, 2018	<u>\$ 30,961,930</u>	<u>\$ 113,299,873</u>	<u>\$ 179,169,602</u>	<u>\$ 323,431,405</u>

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**NOTE 20 - ENDOWMENT FUNDS (Continued)**

	Endowment Roll-Forward			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, January 31, 2016	\$ 27,054,495	\$ 82,739,748	\$ 168,848,646	\$ 278,642,889
Investment return:				
Net investment income	13,423,724	(274,627)	-	13,149,097
Net gain (loss) in fair value (realized and unrealized)	11,701,111	5,641,109	(557,128)	16,785,092
Total investment return	<u>25,124,835</u>	<u>5,366,482</u>	<u>(557,128)</u>	<u>29,934,189</u>
New gifts	967,755	4,535,065	3,028,356	8,531,176
Net assets released from restriction	6,788,697	(6,831,202)	8,317	(34,188)
Other changes				
Distribution of endowment income	(32,643,155)	-	-	(32,643,155)
Total other changes	<u>-</u>	<u>50,123</u>	<u>(50,123)</u>	<u>-</u>
	<u>(32,643,155)</u>	<u>50,123</u>	<u>(50,123)</u>	<u>(32,643,155)</u>
Transfer to cover underwater endowment balances	<u>530,580</u>	<u>(530,580)</u>	<u>-</u>	<u>-</u>
Net assets, January 31, 2017	<u>27,823,207</u>	<u>85,329,636</u>	<u>171,278,068</u>	<u>284,430,911</u>
Cash surrender value of life insurance	<u>-</u>	<u>-</u>	<u>1,846,084</u>	<u>1,846,084</u>
Net assets, January 31, 2017	<u>\$ 27,823,207</u>	<u>\$ 85,329,636</u>	<u>\$ 173,124,152</u>	<u>\$ 286,276,995</u>

**NOTE 21 - 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.

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**NOTE 22 - SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to January 31, 2018, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2018. Management has performed their analysis through June 6, 2018, 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  
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION BY FUND  
January 31, 2018

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift Funds	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,696,756	\$ 8,263,745	\$ 3,209,757	\$ 52,170,258
Accounts receivable	9,628,702	-	4,186	9,632,888
Interest receivable	157,371	-	244	157,615
Due from related organizations	4,266,480	-	-	4,266,480
Investments	50,881,036	730,517,449	133,476,829	914,875,314
Prepaid expenses and other assets	5,489,915	3,620,230	919,301	10,029,446
Mortgages, notes, and contracts for deed	224,730	-	-	224,730
Overseas church construction loans	524,366	-	-	524,366
Property, furniture, and equipment, net	25,972,123	-	-	25,972,123
Beneficial interest in perpetual trusts	-	20,219,960	876,583	21,096,543
Total assets	<u>\$ 137,841,479</u>	<u>\$ 762,621,384</u>	<u>\$ 138,486,900</u>	<u>\$ 1,038,949,763</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable	\$ 3,601,447	\$ 92,050	\$ 22,741	\$ 3,716,238
Deferred revenue	5,266,741	173,166	814,422	6,254,329
Due to related organizations	3,617,220	1,556,916	51,875	5,226,011
Accrued liabilities	3,609,019	-	-	3,609,019
Annuities payable	-	-	77,811,498	77,811,498
Funds held for others	23,353	350,919,999	34,771,715	385,715,067
Funds held for others in perpetuity	-	86,447,848	-	86,447,848
Total liabilities	<u>16,117,780</u>	<u>439,189,979</u>	<u>113,472,251</u>	<u>568,780,010</u>
Net assets				
Unrestricted	65,259,761	30,961,930	32,853	96,254,544
Temporarily restricted	56,463,938	113,299,873	12,280,159	182,043,970
Permanently restricted	-	179,169,602	12,701,637	191,871,239
Total net assets	<u>121,723,699</u>	<u>323,431,405</u>	<u>25,014,649</u>	<u>470,169,753</u>
Total liabilities and net assets	<u>\$ 137,841,479</u>	<u>\$ 762,621,384</u>	<u>\$ 138,486,900</u>	<u>\$ 1,038,949,763</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, 2017

	General Operating and Other Restricted <u>Funds</u>	Endowment <u>Funds</u>	Deferred Gift Funds	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,077,066	\$ 4,177,700	\$ 2,265,247	\$ 29,520,013
Accounts receivable	8,560,890	-	2,275	8,563,165
Interest receivable	144,143	-	388	144,531
Due to/from related organizations	1,920,335	(1,693,720)	2,068,165	2,294,780
Investments	47,755,377	632,240,007	130,993,442	810,988,826
Prepaid expenses and other assets	6,999,287	3,797,281	938,760	11,735,328
Mortgages, notes, and contracts for deed	250,736	-	-	250,736
Overseas church construction loans	345,488	-	-	345,488
Property, furniture, and equipment, net	26,931,531	-	-	26,931,531
Beneficial interest in perpetual trusts	-	19,373,560	876,583	20,250,143
Total assets	<u>\$ 115,984,853</u>	<u>\$ 657,894,828</u>	<u>\$ 137,144,860</u>	<u>\$ 911,024,541</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable	\$ 3,971,226	\$ 13,691	\$ 24,556	\$ 4,009,473
Deferred revenue	26,386	145,967	996,083	1,168,436
Accrued liabilities	3,489,605	-	100	3,489,705
Annuities payable	-	-	77,369,693	77,369,693
Funds held for others	18,267	296,526,331	35,414,301	331,958,899
Funds held for others in perpetuity	-	74,931,844	-	74,931,844
Total liabilities	<u>7,505,484</u>	<u>371,617,833</u>	<u>113,804,733</u>	<u>492,928,050</u>
Net assets				
Unrestricted	69,692,417	27,823,207	32,880	97,548,504
Temporarily restricted	38,786,952	85,329,636	11,502,100	135,618,688
Permanently restricted	-	173,124,152	11,805,147	184,929,299
Total net assets	<u>108,479,369</u>	<u>286,276,995</u>	<u>23,340,127</u>	<u>418,096,491</u>
Total liabilities and net assets	<u>\$ 115,984,853</u>	<u>\$ 657,894,828</u>	<u>\$ 137,144,860</u>	<u>\$ 911,024,541</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Financial support - grants	\$ 46,632,188	\$ 47,577,344
Compensation		
Central staff	23,068,998	23,726,286
Missionaries	2,692,107	2,362,487
Employee benefits		
Central staff	13,597,596	12,913,296
Missionaries	1,452,586	1,304,552
Retiree pension expenses	2,796,028	66,599
Postretirement health care benefits	1,000,000	1,000,000
Travel - staff, board, and committees	4,391,299	4,710,813
Special events	3,526,875	3,902,886
Office expenses	911,834	869,680
Printing/duplicating	2,098,797	2,314,293
Purchased services	4,438,106	4,685,711
Regional office expenses	1,489,468	1,824,449
Insurance	882,313	876,847
Interest expense	154	1,070
Facilities and utilities	2,381,153	2,411,177
Non-capitalized equipment, repairs, and rentals	1,117,202	1,226,253
Depreciation	2,687,696	3,159,956
ELCA Foundation structure formation expenses	2,571,494	-
Miscellaneous	<u>231,753</u>	<u>318,778</u>
 Total operating expenses	 <u>117,967,647</u>	 <u>115,252,477</u>
 Investment expense	 1,268,809	 2,515,984
Endowment interest payments and distribution	<u>55,857,782</u>	<u>23,534,322</u>
 Total expenses	 <u>\$ 175,094,238</u>	 <u>\$ 141,302,783</u>

See accompanying Independent Auditor's Report.