

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION**

FINANCIAL STATEMENTS

January 31, 2019



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS	7

INDEPENDENT AUDITOR'S REPORT

The Church Council
Evangelical Lutheran Church in America
Churchwide Organization

Report on the Financial Statements

We have audited the accompanying financial statements of the Churchwide Organization of the Evangelical Lutheran Church in America (the Church), which comprise the statement of financial position as of January 31, 2019, and the related statements of activities and cash flows for the year 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 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Churchwide Organization of the Evangelical Lutheran Church in America as of January 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements being presented are only for the Churchwide Organization 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, 2019, or the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Church has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.


Crowe LLP

Chicago, Illinois
June 28, 2019

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
January 31, 2019

	<u>2019</u>
ASSETS	
Cash and cash equivalents	\$ 49,961,879
Accounts receivable (Note 2)	8,476,200
Interest receivable	186,641
Due from related organizations (Note 8)	2,169,996
Investments (Note 3)	450,835,930
Prepaid expenses and other assets	8,789,369
Mortgages and notes (Note 4)	337,566
Overseas church construction loans (Note 5)	305,537
Property, furniture, and equipment, net (Note 6)	23,702,790
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	16,299,317
Beneficial interest in perpetual trusts (Note 3)	<u>19,357,188</u>
 Total assets	 <u><u>\$ 580,422,413</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 6,830,712
Deferred revenue	812,657
Accrued liabilities	4,002,679
Annuities payable (Note 7)	15,711,678
Funds held for others (Note 1)	10,552,599
Funds held for others in perpetuity (Note 1)	<u>84,235,354</u>
Total liabilities	<u>122,145,679</u>
 Net assets	
Without donor restrictions (Note 16)	101,646,347
With donor restrictions (Note 17)	<u>356,630,387</u>
Total net assets	<u>458,276,734</u>
 Total liabilities and net assets	 <u><u>\$ 580,422,413</u></u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributed support			
Synod mission support (Note 14)	\$ 43,005,111	\$ -	\$ 43,005,111
World Hunger Appeal	-	19,578,515	19,578,515
Global Church sponsorship	3,168,293	267,199	3,435,492
Disaster response	-	9,897,638	9,897,638
Vision for Mission	698,532	-	698,532
Deferred gift contributions	-	128,846	128,846
Endowment distributions	5,234,912	4,326,392	9,561,304
Mission Investment Fund	1,513,000	-	1,513,000
Bequests, trusts, and residuums	2,778,761	3,776,499	6,555,260
Grants—corporate and other	(2,000)	2,435,491	2,433,491
Other gifts	2,018,931	6,787,522	8,806,453
Total contributed revenue	<u>58,415,540</u>	<u>47,198,102</u>	<u>105,613,642</u>
Other revenue			
Net investment return on operating investments	4,896,542	1,434,633	6,331,175
SPPO offices' revenue	565,764	-	565,764
Services and other revenue	17,280,342	251,329	17,531,671
Lease income	1,644,679	-	1,644,679
Miscellaneous income	-	173,681	173,681
Total other revenue	<u>24,387,327</u>	<u>1,859,643</u>	<u>26,246,970</u>
Net assets released from restrictions			
Satisfaction of restrictions (Note 15)	46,409,858	(46,409,858)	-
Income expended from investments held in perpetuity	7,312,897	(7,312,897)	-
Net assets released from restrictions	<u>53,722,755</u>	<u>(53,722,755)</u>	<u>-</u>
Total operating revenue and support	<u>136,525,622</u>	<u>(4,665,010)</u>	<u>131,860,612</u>
Operating expenses			
Program services			
Domestic Mission	51,068,178	-	51,068,178
Global Mission	35,542,342	-	35,542,342
Mission Advancement	5,666,949	-	5,666,949
Church periodicals	2,129,088	-	2,129,088
Office of the Presiding Bishop	3,084,842	-	3,084,842
SPPO offices' expense	618,826	-	618,826
Retiree's pension	135,647	-	135,647
Post-retirement health care benefits (Note 10)	2,000,000	-	2,000,000
Total program services	<u>100,245,872</u>	<u>-</u>	<u>100,245,872</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating expenses (Continued)			
Management and general			
Office of the Presiding Bishop	\$ 2,939,505	\$ -	\$ 2,939,505
Office of the Treasurer	9,488,469	-	9,488,469
Office of the Secretary	3,388,868	-	3,388,868
Mission Advancement	2,172,689	-	2,172,689
Total management and general	17,989,531	-	17,989,531
Fundraising			
Mission Advancement	5,137,934	-	5,137,934
Total fundraising	5,137,934	-	5,137,934
Total operating expenses	123,373,337	-	123,373,337
Net operating revenue and support less operating expenses	13,152,285	(4,665,010)	8,487,275
Non-operating transactions			
Endowment contributions	358,712	8,639,665	8,998,377
Net investment return on endowment and other deferred gifts	(8,119,194)	(17,722,310)	(25,841,504)
Change in fair value of beneficial interest in outside trusts and split interest agreements (Note 3)	-	(822,610)	(822,610)
Change in value of split interest agreements	-	(2,714,557)	(2,714,557)
Total non-operating transactions	(7,760,482)	(12,619,812)	(20,380,294)
Changes in net assets	5,391,803	(17,284,822)	(11,893,019)
Net assets at beginning of year	96,254,544	373,915,209	470,169,753
Net assets at end of year	\$ 101,646,347	\$ 356,630,387	\$ 458,276,734

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF CASH FLOWS
Year ended January 31, 2019

	<u>2019</u>
Cash flows from operating activities	
Change in net assets	\$ (11,893,019)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	2,854,216
Change in fair value of investments	19,503,664
Gain on beneficial interest in perpetual trusts	822,610
Changes in	
Accounts receivable	1,156,689
Interest receivable	(29,026)
Prepaid expenses and other assets	1,240,077
Accounts payable	4,123,268
Deferred revenue	(5,441,672)
Due from related organizations	(1,547,611)
Accrued liabilities	405,916
Funds held for others in perpetuity	<u>(2,212,494)</u>
Net cash provided by operating activities	8,982,618
Cash flows from investing activities	
Purchase and acquisition of equipment	(584,883)
Issuance of mortgages and notes	(160,000)
Payments received on mortgages and notes	47,164
Issuance of overseas Church construction loans	(10,000)
Payments received on overseas church construction loans	228,829
Purchase of investments	(9,192,308)
Proceeds from sale of investments	<u>9,452,136</u>
Net cash used in investing activities	(219,062)
Cash flows from financing activities	
Annuities payable	(2,714,557)
Payments on mortgage payable, notes payable, and capital leases	<u>(12,256)</u>
Net cash used in financing activities	<u>(2,726,813)</u>
Increase in cash and cash equivalents	6,036,743
Cash and cash equivalents at beginning of year	<u>43,925,136</u>
Cash and cash equivalents at end of year	<u><u>\$ 49,961,879</u></u>
Noncash transactions	
Transfer of assets related to charitable remainder trusts to the ELCA Foundation	\$ 56,191,291
Transfer of obligations related to charitable remainder trusts to the ELCA Foundation	57,993,614
Transfer of assets related to charitable gift annuities to the ELCA Foundation	30,145,461
Transfer of obligations related to charitable gift annuities to the ELCA Foundation	30,059,740

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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 accompanying financial statements include all administrative and program offices and units of the Churchwide Organization of the Evangelical Lutheran Church in America (collectively, the Church). These financial statements do not include the accounts of organizations, such as the ELCA Foundation, Board of Pensions (Portico Benefit Services), Mission Investment Fund of the Evangelical Lutheran Church in America (Mission Investment Fund), Publishing House of the Evangelical Lutheran Church in America (1517 Media), 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 January 1, 2018, the Endowment Fund of the Evangelical Lutheran Church in America, doing business as the ELCA Foundation (the ELCA Foundation), is a separately incorporated ministry/corporation of the ELCA. This corporation manages the endowments of the ELCA, the Charitable Remainder Trust (CRT), and the Charitable Gift Annuity (CGA) programs. The Church's beneficial interest in CRTs and CGAs are included in the Church financial statements for the year ended January 31, 2019. Trusteeship of the existing CRTs has been transferred from the Church to the ELCA Foundation, effective February 1, 2018. The CGAs are being moved from the Church to the ELCA Foundation in stages and in compliance with applicable state regulations.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting.

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 two net asset classes based on these donor-imposed restrictions. A description of each net asset class follows:

Without Donor Restrictions – 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 contributions and bequests without donor restrictions, contributions with donor restrictions and bequests whose donor-imposed restrictions were met during the fiscal year and investment income whose use is without donor restrictions, 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 net assets without donor restrictions.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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

With Donor Restrictions – 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 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.

Also included are 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 purposes without donor restrictions or with donor restrictions (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.

Investments and Related Income, Gains, and Losses: Investments are reported at fair value, except for certain equity and real estate investments, which are reported at cost. Investments carried at fair value consist primarily of corporate and government obligations, inflation-indexed, high-yield securities 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 net assets without donor restrictions in the statement of activities unless their use is restricted by explicit donor stipulations.

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	Lesser of length of lease or useful life
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. In the case of funds held for others in perpetuity, the earnings are distributed per the donor's specifications but the corpus or principal are held in perpetuity or intact and reflected as a liability of the Church.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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

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 net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of net assets with donor restrictions (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 net asset class with donor restrictions, 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 net assets without donor restrictions.

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 year ended January 31, 2019.

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, 2019.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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, 2015. 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.

Recently Adopted Accounting Guidance: 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 not-for-profit organization'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 adopted ASU 2016-14 for the year ended January 31, 2019.

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2019, was \$7,197,701 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.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2019, consist of the following:

	<u>2019</u>
Fixed income securities	
U.S. government obligations	\$ 13,024,464
Corporate bonds	23,964,150
Term investments	3,025,619
Equity securities and physical real estate held at cost	1,886,778
Investments in pools	407,930,218
Cash and cash equivalents	<u>1,004,701</u>
	<u>\$ 450,835,930</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following schedule summarizes the investment return reported in the statement of activities for the year ended January 31, 2019:

	<u>2019</u>
Realized investment gains	\$ 16,125,574
Unrealized investment losses	(32,504,343)
Dividend and interest income	<u>6,429,744</u>
Investment return, net	<u><u>\$ (9,949,025)</u></u>

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 \$274,000 on investments with donor restrictions for the year ended January 31, 2019 with offsetting increases in certain liabilities reported.

Also, unrealized losses of \$23,250 on these investments with offsetting changes in certain liabilities were reported for the year ended January 31, 2019.

Investments are reported at fair value except for certain equity securities and certain investments in real estate which are reported at cost. Investments carried at fair value consist primarily of corporate and government obligations, inflation-indexed and high-yield securities and investments in ELCA Endowment Fund Pooled Trust.

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

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).

Term Investments: 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).

Investments Held in Portico Pools: The underlying investments within the ELCA Endowment Fund Pooled Trust have observable inputs and market activity that allow for fair values based on the underlying market prices of the securities in the Trust. The Church has the ability to redeem their investment with the ELCA Endowment Fund Pooled Trust at any time at the monthly per unit net asset value (NAV).

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).

Beneficial interest in irrevocable, split interest agreements, held by ELCA Foundation: The beneficial interest in these agreements are measured at the present value of future cash flows considering the fair value of invested assets, the present value of contractual payment obligations under the agreement and the Church's ownership interest in the split interest agreement (Level 3 inputs - income approach).

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Fixed income securities				
U.S. government obligations	\$ 13,024,464	\$ -	\$ -	\$ 13,024,464
Corporate bonds	-	23,964,150	-	23,964,150
Term investments	-	3,025,619	-	3,025,619
Cash and cash equivalents	1,004,701	-	-	1,004,701
Investments held at fair value	<u>\$ 14,029,165</u>	<u>\$ 26,989,769</u>	<u>\$ -</u>	<u>41,018,934</u>
Investments at net asset value per share				407,930,218
Total investments at fair value				448,949,152
Equity securities and physical real estate held at cost*				1,886,778
Total investments				<u>\$ 450,835,930</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,357,188</u>	<u>\$ 19,357,188</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,299,317</u>	<u>\$ 16,299,317</u>

* Physical real estate investments, comprised of land and building held by the Church at cost, were \$690,850 as of January 31, 2019 and were not included in the fair value tables above. Equity securities, comprised of closely held stock held by the Church at cost, were \$1,195,928 as of January 31, 2019 and were not included in the fair value tables above.

The table below rolls forward balances for Level 3 beneficial interest in perpetual trusts from February 1, 2018, through January 31, 2019:

Balance as of February 1, 2018	\$ 21,096,543
Unrealized gains -	
Funds held for others	(916,745)
Permanently restricted	<u>(822,610)</u>
Balance as of January 31, 2019	<u>\$ 19,357,188</u>

The table below rolls forward balances for Level 3 beneficial interest in split interest agreements from February 1, 2018, through January 31, 2019:

Balance as of February 1, 2018	\$ -
Increase in beneficial interest resulting from transfer of trust assets and liabilities	<u>16,299,317</u>
Balance as of January 31, 2019	<u>\$ 16,299,317</u>

Unrealized 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, 2019, that are still held at January 31, 2019, totaled \$1,739,355.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Strategies Employed for Achieving Objectives of ELCA Endowment Fund Pooled Trust: Investments held in endowment funds are stated at fair value. All such endowment funds are classified by the ELCA Foundation as "Funds Held for Others" or "Funds Held for Others in Perpetuity" and are invested in the ELCA Endowment Fund Pooled Trust ("EFPT") administered under the terms of that Trust by its Trustee.

The EFPT investment objective is to provide participants with a stable stream of distributable investment income with long-term capital appreciation, while assuming a moderate level of investment risk. The assets of the EFPT are invested in a diversified portfolio that places an emphasis on equity-based and fixed income investments selected in accordance with the criteria of social responsibility that is consistent with the values and programs of the ELCA.

The target asset allocation ranges are 22% to 32% in U.S. equity securities, 25% to 35% in Non-U.S. equity securities, 3.5% to 13.5% in investment grade fixed income securities, 3.5% to 13.5% in high yield fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in absolute return, 0%-8% in infrastructure, 0%-20% in private markets, and 0% to 10% in U.S. inflation-indexed securities, with the balance in cash and cash equivalents.

Ownership interests in the EFPT are initially assigned through unitization of participants' investment additions. The total value of the EFPT net assets at the end of each month is used to determine the number of units allocated to participants' additions placed in the EFPT and to value withdrawals from the pool. Distributions from the pool are first made from dividend and interest income and net realized gains. If distributions exceed the actual dividends, interest, and net realized gains, the excess is distributed first from accumulated undistributed earnings and gains, then from capital.

Quarterly distributions from the EFPT are made at a rate established annually by the Trustee of the EFPT that reflects the Trustee's consideration of anticipated returns of the EFPT and anticipated changes in the purchasing power of the EFPT. The rate established for 2018 is 4%. It was applied each year to the average unit value of the assets in the EFPT at December 31 of the five preceding years. The rate established for 2019 is 4%.

NOTE 4 - MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2019 are summarized as follows:

	<u>Interest Rate</u>	<u>2019</u>
Partnership support loans to congregations	0%	\$ 337,566

There is one segment and one class in this portfolio.

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, 2019. 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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, 2019 is \$305,537.

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, 2019, there was no amount past due for a period greater than 1 year. The following is a summary of notes by region for the year ended January 31:

	<u>2019</u>
Africa	\$ 159,100
Latin America/Caribbean	<u>146,437</u>
Total overseas construction loans	<u><u>\$ 305,537</u></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, 2019 is presented below:

	<u>2019</u>
Land	\$ 133,000
Buildings and improvements	51,452,800
Furniture and equipment	12,561,790
Work in progress	<u>222,529</u>
	64,370,119
Less accumulated depreciation	<u>(40,667,329)</u>
Totals	<u><u>\$ 23,702,790</u></u>

Depreciation expense for the year ended January 31, 2019 was \$2,854,216.

NOTE 7 - SPLIT-INTEREST AGREEMENTS

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

At the death of the donor or designated individual, the book value of the contract is distributed to the Church or related organization either with or without donor 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 January 31, 2019, is as follows:

	2019	
	Deferred <u>Revenue</u>	Annuities <u>Payable</u>
Charitable remainder annuity trusts	\$ -	\$ 449,440
Charitable remainder unitrusts	-	2,192,049
Charitable gift annuities	-	13,070,189
Pooled income funds	457,718	-
Life income funds	55,312	-
Life income estates	98,676	-
	<u>\$ 611,706</u>	<u>\$ 15,711,678</u>

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 net assets with donor restrictions based on the donor's restrictions.

NOTE 8 - RELATED-PARTY TRANSACTIONS

The ELCA Churchwide Organization is the beneficiary of endowment, trust and annuity accounts with a fair value of \$435,739,235 at January 31, 2019. These are managed by the ELCA Foundation.

The Church has a receivable, Due to/Due From related organizations, in the amount of \$2,169,996. This is made up of expenses related to service level agreements between the Church and certain affiliated organizations for building space, accounting and management services performed on their behalf.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

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 year ended January 31, 2019 were \$3,563,522. 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 year ended January 31, 2019, 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 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, 2018, include the trust assets of approximately \$105,126,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$100,509,000.

The Church contributed \$2,000,000 during the fiscal year ended January 31, 2019 toward the funding of this post-retirement health care benefit and expects to contribute \$2,000,000 during the fiscal year ending January 31, 2020. During the fiscal year ended January 31, 2019, 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 \$4,600,000. The contribution rates, including the contribution for retiree support, are set annually by the Board of Trustees of Portico.

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 \$263,000 for the year ended January 31, 2019.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 11 - LEASES (Continued)

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

	Office <u>Equipment</u>	<u>Total</u>
2020	\$ <u>49,538</u>	\$ <u>49,538</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 net assets without donor restrictions 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, 2019, 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, 2019, or during the year then ended.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 14 - 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>2019</u>
Region 1 – Northwest	\$ 2,181,542
Region 2 – Southwest	3,695,354
Region 3 – Northwest Midwest	6,980,360
Region 4 – Southwest Midwest	4,096,210
Region 5 – Northeast Midwest	8,817,185
Region 6 – Southeast Midwest	3,889,880
Region 7 – Northeast	4,393,752
Region 8 – East	4,177,572
Region 9 – Southeast	<u>4,773,256</u>
 Total synod mission support	 <u><u>\$ 43,005,111</u></u>

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets that 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>2019</u>
Satisfaction of program restrictions:	
World Hunger	\$ 22,575,896
Disaster Relief	12,879,301
Domestic Mission	3,889,468
Global Mission	3,492,792
Office of the Presiding Bishop	324,480
Other programs	<u>3,247,921</u>
 Satisfaction of program restrictions	 46,409,858
 Income expended from investments held in perpetuity	 <u>7,312,897</u>
 Total releases from restriction	 <u><u>\$ 53,722,755</u></u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 16 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at January 31:

	<u>2019</u>
General	\$ 53,272,472
Funds functioning as endowment (Note 18)	24,671,085
Net investment in property, furniture, equipment and building	<u>23,702,790</u>
	<u><u>\$ 101,646,347</u></u>

NOTE 17 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are available for the following purposes or periods at January 31:

	<u>2019</u>
Program-restricted:	
Disaster Relief	\$ 29,555,980
World Hunger	9,389,606
Office of the Presiding Bishop	1,459,218
Domestic Mission	6,064,059
Global Mission	5,239,847
Mission Advancement	3,895,433
Other Programs	<u>1,232,105</u>
	56,836,248
Time-restricted, expendable in subsequent years	<u>103,590,662</u>
	160,426,910
Investments in perpetuity, the income from which is expendable	185,686,063
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	8,325,064
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,192,350</u>
	<u>196,203,477</u>
Total net assets with donor restriction	<u><u>\$ 356,630,387</u></u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 18 - 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 ELCA Foundation, 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 net assets with donor restrictions (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 net assets with donor restrictions are classified as net assets with donor restrictions until appropriated for expenditure. Realized and unrealized gains and losses on all Church endowments with donor restrictions are being recognized in net assets with donor restrictions, 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 net assets without donor restrictions 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 net assets with donor restrictions 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 net assets without donor restrictions.

There were no funds for which the fair value of the assets held was less than the level required by donor stipulation or law at January 31, 2019. At January 31, 2019, \$24,671,085 was reported in net assets without donor restrictions. During the year, \$8,329,890 has been released from net assets with donor restrictions to net assets without donor restrictions.

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 the year ended January 31, 2019 was 4% 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 2019 is 4% 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 January 31, 2019, 161 of 1,051 accounts had accumulated undistributed earnings.

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 18 - ENDOWMENT FUNDS (Continued)

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.

Net asset composition by type of endowment fund as of January 31, 2019:

	2019		
	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Donor-restricted funds*	\$ -	\$ 281,380,016	\$ 281,380,016
Funds functioning as endowment	<u>24,671,085</u>	<u>-</u>	<u>24,671,085</u>
	<u>\$ 24,671,085</u>	<u>\$ 281,380,016</u>	<u>\$ 306,051,101</u>

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

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Net assets, January 1, 2018	\$ 30,961,930	\$ 292,469,475	\$ 323,431,405
Net investment return	(9,744,535)	(9,265,192)	(19,009,727)
New gifts	358,712	8,639,665	8,998,377
Net assets released from restriction	8,329,890	(8,329,890)	-
Other changes			
Endowment distribution of income	<u>(5,234,912)</u>	<u>(4,326,392)</u>	<u>(9,561,304)</u>
Total other changes	<u>(5,234,912)</u>	<u>(4,326,392)</u>	<u>(9,561,304)</u>
Net assets, January 31, 2019	<u>24,671,085</u>	<u>279,187,666</u>	<u>303,858,751</u>
Cash surrender value of life insurance	<u>-</u>	<u>2,192,350</u>	<u>2,192,350</u>
Net assets, January 31, 2019	<u>\$ 24,671,085</u>	<u>\$ 281,380,016</u>	<u>\$ 306,051,101</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 19 - 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 20 - FUNCTIONAL EXPENSES BY NATURE

The statement of activities report certain categories of expenses attributable to the programs and supporting functions of the Church. The table below presents these functional expenses by their natural classification for the year ended January 31, 2019.

	Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	Fundraising World <u>Hunger</u>	Total
Financial support and grants	\$ 51,526,735	\$ 114,489	\$ 1,500	\$ -	\$ 51,642,724
Compensation and benefits	27,450,433	10,433,340	2,237,305	669,086	40,790,164
Travel	3,707,429	233,782	391,573	87,475	4,420,259
Events and conferences	8,897,578	99,509	160,605	1,430	9,159,122
Office operations	5,133,602	2,785,212	858,711	467,128	9,244,653
Depreciation	1,224,240	1,349,915	280,061	-	2,854,216
Occupancy	1,082,616	1,193,754	247,663	-	2,524,033
Transfers to restricted and designated funds	137,204	(19,267)	(117,937)	-	-
Miscellaneous and expense recovery	<u>1,086,035</u>	<u>1,798,797</u>	<u>(705,128)</u>	<u>558,462</u>	<u>2,738,166</u>
	<u>\$ 100,245,872</u>	<u>\$ 17,989,531</u>	<u>\$ 3,354,353</u>	<u>\$ 1,783,581</u>	<u>\$ 123,373,337</u>

Certain categories of expenses are allocated to more than one program or supporting function. The allocation is based on estimated full time equivalents or square footage, as applicable.

NOTE 21 - LIQUIDITY AND AVAILABILITY

The Church's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>
Cash and cash equivalents	\$ 49,961,879
Operating investments	47,679,229
Endowments Without Donor Restriction	<u>24,671,085</u>
	<u>\$ 122,312,193</u>

As part of the Church's liquidity management, the Church invests a portion of its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Church has a committed line of credit in the amount of \$10,000,000 which it could draw upon should unanticipated liquidity needs arise.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2019

NOTE 22 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2019. Management has performed their analysis through June 28, 2019, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.