



Report of the Treasurer

Part one: Work of the office

Responsibilities

The treasurer of the Evangelical Lutheran Church in America (ELCA) proposes policy and provides for the implementation, within such policies, of the financial, accounting, audit, banking, investment, property, information technology and building management systems of the churchwide organization. The governing description of the Office of the Treasurer appears in the *Constitution, Bylaws, and Continuing Resolutions of the Evangelical Lutheran Church in America*, continuing resolutions 15.14.A.10 and 15.14.B10.

Budget development and accounting analyst services

The Office of the Treasurer estimates revenue, recommends spending authorization levels and advises the Office of the Presiding Bishop regarding financial sustainability. Working closely with the Office of the Presiding Bishop and the Mission Advancement unit, the Office of the Treasurer engages in collaborative efforts to monitor and align resources with anticipated income. The Office of the Treasurer also oversees the capital expenditures and related budget of the churchwide office. See Section V for more details on the fiscal year 2020–2022 budget.

Being new to the churchwide organization when I began my term as treasurer in February 2018, I spent much of my first year gaining an understanding of the revenue streams and use of funds within the church. The Office of the Treasurer's focus has been on the predictability of mission support and the potential for growth of other unrestricted revenue streams, while maintaining accountabilities for spending authorizations. The Office of the Treasurer also identified and implemented opportunities for ongoing expense reductions, including savings in 2019 from the cost of health care benefits. The Office of the Treasurer assisted in the development of a path for fully funding the postretirement medical benefit trust by the end of fiscal year 2022. During 2018 the accounting records of the Endowment Fund of the ELCA (ELCA Foundation) were separated from those of the churchwide organization as it became a separately incorporated ministry. Also in 2018, the Office of the Treasurer began an evaluation of a new financial software solution, Workday, for both the churchwide organization and the ELCA Foundation. The implementation of Workday is anticipated to be completed in the last quarter of 2019.

Building management

The Office of the Treasurer is presently working on the renewal to maintain the churchwide organization's Gold Energy star rating. The installation of the building automation system was completed in 2016 and has resulted in a 10% energy savings as the engineers can adjust each unit and troubleshoot problem areas remotely. In addition, heating, ventilation and air conditioning (HVAC) can be modified by floor, which creates savings during weekends and off hours.

Historically, Jones Lang Lasalle (JLL), the churchwide organization's management company, had provided oversight of the churchwide organization's lease renewals. Commissions were paid to JLL, as well as the tenant's agent. During 2018, the churchwide organization transitioned this service to the director of facilities at the Lutheran Center in order save commissions paid for existing tenant renewals. Savings during 2018 were over \$170,000. This tenant renewed its lease through Oct. 31, 2027.

The archives are held at a separate facility in a nearby suburb. The 16-year-old metal roof was replaced near the end of 2018.

During 2018, the Advocacy office combined with the Federal Chaplaincy office and relocated within Washington, D.C., signing a five-year lease with a five-year renewal clause. Rent and utility savings are approximately \$75,000 per year.

The churchwide organization and certain separately incorporated ministries (SIMs) of the ELCA occupy nearly 65% of the Lutheran Center, which is owned by the ELCA and has no remaining mortgage. Operating costs of the Lutheran Center are covered by the rent from external tenants and SIMs. The building is fully occupied at this time, with about 25% of our leased space (one tenant) up for renewal in 2020; the remainder is leased until 2023–2027. As a result of growth of the Mission Investment Fund of the ELCA (MIF), the staff in the Office of the Treasurer was relocated to the sixth floor in 2018. MIF began a remodeling the eighth floor that is expected to be completed in the fall of 2019.

Information technology

The churchwide organization Information Technology utilizes contemporary business and technology systems that enhance the efficiency and effectiveness of how the ELCA carries out the ministry through the churchwide expression and other expressions of this church.

Innovation and continuous improvement 2017–2019

The churchwide office Information Technology team collaborates with all aspects of the organization to facilitate technology-related projects aligned with *Future Directions 2025* and the churchwide organization operational plan. At the same time, Information Technology works to secure its information from external and internal threats by increasing staff security awareness, improving system controls and independently testing security controls on a regular basis. Over the triennium, several projects have been or are in the process of being implemented.

Selected initiatives having significant operational and strategic impact are listed below:

- **ELCA digital directory**: The last printing of the paper yearbook occurred in 2016 for the 2017 yearbook. The Office of the Secretary and Information Technology partnered to convert the yearbook to a digital/mobile format for 2018 to improve accessibility, information accuracy and cost savings. Directions on how to access the directory can be found in the “Other” section of the Pre-Assembly Report. The directory is in its second year and has had positive impact:
 - Free online resource available using any device, anywhere.
 - Over 19,000 views in a given month.
 - Data kept current as it changes versus just one time per year as with the previous paper yearbook format.
 - The move to a digital format reduced cost and production time internally.
- **ELCA GrantMaker**: A cross-unit committee evaluated current granting processes and found that there were over 31 distinct grant applications (and scholarship) processes across the organization. Most of them were paper-based tracking processes unique to each office or unit. The organization worked collaboratively to create new grant-making policies and procedures, as well as implement a new centralized system to streamline granting operations. The new system and process also helped to standardize reporting and impact measurements, as well as integrate with other systems to improve internal efficiencies.
- **Digital giving preferred providers**: Information Technology established preferred relationships with vendors Tithe.ly and Vanco. Each of these partners brings a digital giving solution to congregations to enable them to improve the ways in which their members can give, introduce more ways to give, lower costs and increase congregational vitality.
- **Good Gifts giving catalogue**: Information Technology and Mission Advancement worked together to replace the aging technology platform with a more modern system to continue to provide a way for ELCA members and congregations to give to Good Gifts online. This provides an opportunity for innovation and enhancements to the current user experience.
- **Financial System Replacement**: In order to enhance and enable greater efficiency in its financial operations, the churchwide organization and ELCA Foundation conducted a yearlong analysis on the people, process and technology needed to enable a more modern scalable and reliable financial system. This new system will improve financial operations management and drive efficiency through the core financial processes, planning and reporting. As part of this project, the new system will be integrated into the other existing enterprise applications and with external service providers.
- **Rostered Minister Administration**: In partnership with the Office of the Secretary and Domestic Mission unit, Information Technology updated systems to enable the changes to the rosters for ministers of Word and Service and ministers of Word and Sacrament. In a continued move to digitize the record keeping for the church and offset the diminishing space to house paper records, the Office of the Treasurer partnered with the Office of the Secretary to build a system to enable the storage and transfer of a digital roster file between the churchwide organization and each synod.

Audit

CapinCrouse LLP has conducted regular reviews of processes and controls across financial operations. Their work provides third-party assessment of the churchwide organization's financial integrity and includes valuable consultation and best practice recommendations. In addition to ongoing testing in conjunction with the 2018 audit, CapinCrouse performed testing to validate the separation of the assets of the churchwide organization from the assets of the ELCA Foundation. The internal audit function relates directly to the ELCA Audit Committee.

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

Accounting

Accounting functions include general accounting, financial reporting, receipts processing and accounts payable. These teams process all financial transactions for the churchwide organization and produce both internal and external reports. Responsible for accurate, timely depositing and recording of payments to and from the churchwide organization, the receipts processing and accounts payable teams have supported daily operations as well as major events such as the ELCA Youth Gathering and Churchwide Assembly. The accounting team is responsible for general ledger management and financial reporting functions for general operations. The Office of the Treasurer also provides various accounting services for the ELCA Foundation, Lutheran Men in Mission, and Women of the ELCA.

Banking and investments

The Office of the Treasurer is responsible for safeguarding organizational assets and for recommending policies to the ELCA Church Council for managing cash balances and monitoring the activities of investment advisers and managers. Investment strategies are designed to meet the objectives and needs of the operating funds. Operating banking and investment relationships remained consistent throughout the triennium. BMO Harris Bank provides treasury management and investment services for churchwide programs. Endowment assets and other deferred gift investments are managed by the ELCA Foundation.

Major work for 2020–2022

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

- **Sustainability:** The fifth goal of *Future Directions 2025* is a well-governed, connected and sustainable church. The Office of the Treasurer plays a critical role in ensuring resources are aligned with roles, expectations and priorities for the whole church. This will include monitoring the recently implemented fundraising model to ensure adequate resources are available to support the development initiatives.
- **Data mining and process improvement:** A desired outcome of the Workday financial solution is enhanced reporting. Alignment of reporting with the goals of *Future Directions 2025* is critical to effective management of the organization's resources. Workday is also designed to deliver efficiencies in our business processes. Some of these efficiencies are built into the design of the system, but realization of the benefits will require engagement of both internal and external partners.
- **Enterprise risk management and security:** As part of the churchwide organization's increasing enterprise risk management priority, this office will be implementing additional prevention and mitigation strategies for risks identified as related to the operations of the Office of the Treasurer.
- **Affordable advanced ministry technology:** Information Technology will be focused on building partnered relationships to continue to assist congregations and synods with technology solutions to advance their ministry. Areas of focus will include church management systems (e.g. membership, administration), websites and communication tools that are best in class and at an affordable price for all congregations and synods.
- **Information management:** Projects will be prioritized toward fostering improved management, efficiency, integration, analysis, security and accessibility to the vast amount of information that the organization creates, retains and deletes. Priorities will be given to areas creating the most efficiency for interaction across the church and within the churchwide organization. We will partner with Planning, Research and Evaluation and synods to conduct a survey to understand technology challenges and opportunities within synods.
- **Digital technology advancements:** Information Technology will continue to partner with Mission Advancement and other parts of the churchwide organization to deliver world-class, easy to use online

and digital solutions. These solutions will be intended to improve communication to, with and among all visitors to conduct key functions of the church in an online, virtual setting. As systems grow, Information Technology will also be improving the mechanism for people to create a single identity that will enable them access to the various properties needed to conduct their ministries. We will also be working with the Youth Gathering team to implement a new registration and event management system for the 2021 Youth Gathering.

Part two: 2016, 2017 and 2018 financial report

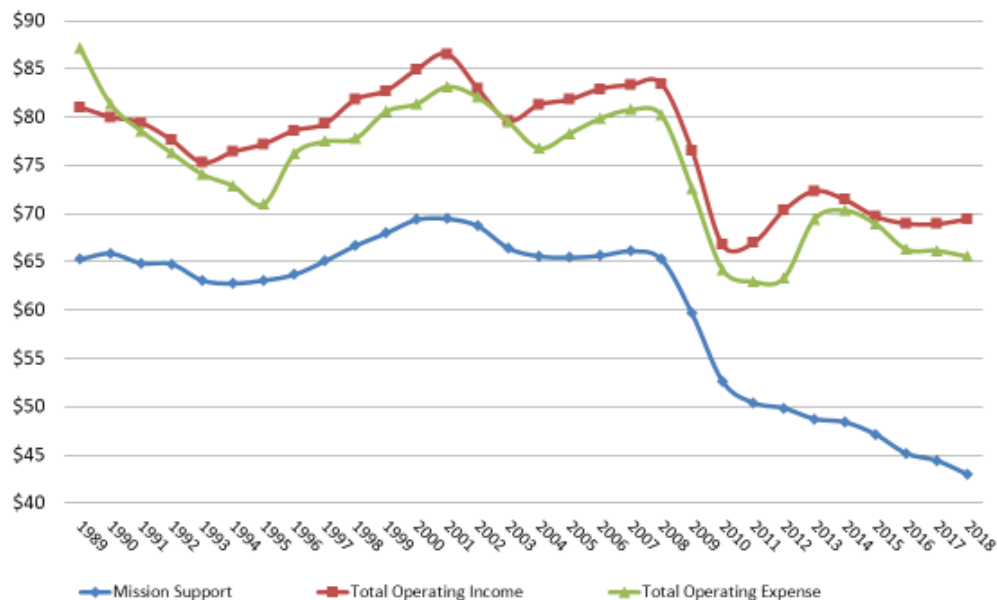
The audited financial statements of the ELCA churchwide administrative offices for the years ended Jan. 31, 2017; Jan. 31, 2018; and Jan. 31, 2019, are attached as Appendices A–C of this report. These statements include the activities of all units and offices of the churchwide organization for each of the three years. The statements for the year ended Jan. 31, 2019, do not include the financial performance of the ELCA Foundation. Financial statements are prepared by management, audited by Crowe LLP and reviewed by the Audit Committee of the ELCA.

Current operating results for 2016, 2017 and 2018

Net operating results of the churchwide office were positive (revenues exceeded expenses) in each of the three years of the triennium. Net revenue was \$1.6 million, \$2.7 million and \$3.5 million favorable for 2016, 2017 and 2018, respectively. The excess in 2016 and 2018 was designated by Church Council to offset budget deficits in 2018, 2019 and 2020; the 2017 excess was designated by Church Council to help cover a portion of the postretirement medical plan unfunded liability. Actual expenses, excluding the capital contribution to the ELCA Foundation for the year ended Jan. 31, 2018, decreased from \$67.4 million in 2016 to \$65.6 million in 2018.

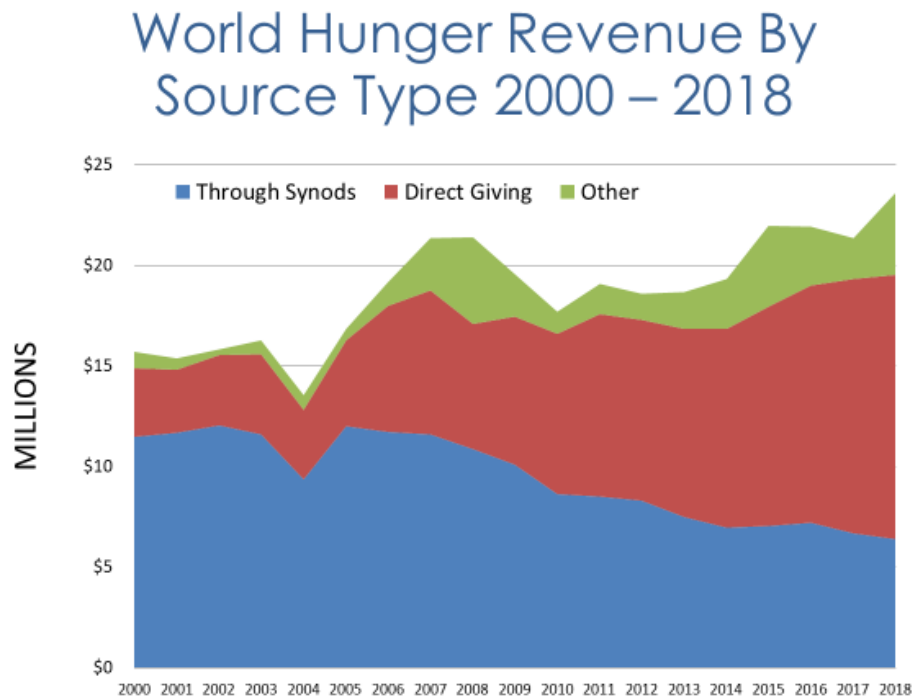
Mission Support, which represents the share of income passed from congregations to synods to the churchwide organization, decreased from \$45.2 million in 2016 to \$44.4 million in 2017 (1.6% decline) to \$43.0 million in 2018 (3.2% decline). Reductions in Mission Support and certain other operating revenue categories were offset primarily by strength in investment income.

Current Fund Income vs. Expense 1989 – 2018 (In Millions)



ELCA World Hunger

Gifts to ELCA World Hunger totaled \$66.9 million over the three years (2016–2018) with 2018 totaling \$23.5 million, representing the largest annual contributions in the 44-year history of the program. Hunger dollars are at work both domestically and internationally in over 60 countries. Over the same three-year period, approximately \$41 million was received for Lutheran Disaster Response. Of this, \$14.7 million was received in 2018 alone related to the three major U.S. hurricanes. In addition to hurricanes, the generosity of this church enabled us to support work related to domestic wildfires and floods, the South Sudan conflict, the refugee crisis in the Middle East and Europe, migrant minors fleeing Central America (AMMPARO), and natural disasters in the Asia Pacific.



Always Being Made New: The Campaign for the ELCA

The campaign's original end date of Jan. 31, 2019, was extended through June 30, 2019. A detailed report of the end-of-campaign results will be reported at the assembly. The \$198 million campaign was established to support various ministry priorities, including: congregations, leadership, hunger and poverty, and global church. As of Jan. 31, 2019, the campaign has received nearly \$181 million in gifts and commitments. A decision to include planned gifts in campaign results was approved by the Church Council in 2018, increasing the total gifts to over \$225 million.

Summary

It is an honor and joy to serve as the treasurer of this church. Response to the campaign and programs such as Lutheran Disaster Response speak to the abundance of financial resources within our church. This generosity, coupled with the goals outlined in our strategic plan, give me hope as we enter the next triennium. While Mission Support has continued a modest but steady decline over the past three years, we remain faithful stewards of the assets entrusted to us and work together to ensure spending is modified as necessary. In addition, the Church Council has assembled a task force to explore other sources of revenue to be used to continue our mission. I am grateful for the generosity of our members, congregations, synods and others who support our work. We are church for the sake of the world. God's blessings to each of you as we continue God's work together.

Lori S. Fedyk, *treasurer*