

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
ENDOWMENT FUND POOLED TRUST**

FINANCIAL STATEMENTS

December 31, 2017, 2016 and 2015

EVANGELICAL LUTHERAN CHURCH IN AMERICA
ENDOWMENT FUND POOLED TRUST
FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Endowment Fund Pooled Trust of the Evangelical
Lutheran Church in America

Report on the Financial Statements

We have audited the accompanying financial statements of the Evangelical Lutheran Church in America Endowment Fund Pooled Trust (the Trust), which comprise the balance sheets as of December 31, 2017, 2016 and 2015, and the related statements of operations and changes in participants' accounts 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 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 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 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 organization'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 organization'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 Evangelical Lutheran Church in America Endowment Fund Pooled Trust as of December 31, 2017, 2016 and 2015, and the results of its operations and changes in its participants' accounts for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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
March 22, 2018

EVANGELICAL LUTHERAN CHURCH IN AMERICA
ENDOWMENT FUND POOLED TRUST
BALANCE SHEETS
December 31, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash and cash equivalents	\$ 8,245,122	\$ 4,170,989	\$ 9,608,432
Investments, at fair value			
Investments in pools			
Common stocks	216,257,413	227,405,195	205,283,359
Non-U.S. stocks	239,234,470	153,421,290	138,347,975
Government and corporate bonds	72,869,996	92,327,593	89,736,427
Inflation-indexed securities	36,947,683	30,935,290	29,964,685
High-yield securities	62,932,149	63,494,421	58,417,326
Real estate investment securities	49,880,324	62,954,529	60,067,467
Total investments in pools	<u>678,122,035</u>	<u>630,538,318</u>	<u>581,817,239</u>
Direct investments			
Absolute return	25,613,603	-	-
Infrastructure	19,000,000	-	-
Alternative equities	3,500,000	-	-
Cash equivalents	3,059,872	-	-
Total direct investments	<u>51,173,475</u>	<u>-</u>	<u>-</u>
Total investments	<u>729,295,510</u>	<u>630,538,318</u>	<u>581,817,239</u>
 Total assets	 <u>\$ 737,540,632</u>	 <u>\$ 634,709,307</u>	 <u>\$ 591,425,671</u>
LIABILITIES AND PARTICIPANTS' EQUITY			
Liabilities			
Due to ELCA	\$ 1,581,916	\$ 1,718,720	\$ 1,577,398
Accounts payable	92,050	13,691	18,112
Total liabilities	<u>1,673,966</u>	<u>1,732,411</u>	<u>1,595,510</u>
Participants' equity			
Capital contribution	25,000	25,000	25,000
Participants' accounts (555,678.37, 533,091.92 and 508,096.58 units outstanding at December 31, 2017, 2016 and 2015, respectively)	<u>735,841,666</u>	<u>632,951,896</u>	<u>589,805,161</u>
	<u>735,866,666</u>	<u>632,976,896</u>	<u>589,830,161</u>
 Total liabilities and participants' equity	 <u>\$ 737,540,632</u>	 <u>\$ 634,709,307</u>	 <u>\$ 591,425,671</u>
 Participants' equity per unit	 \$ 1,324.22	 \$ 1,187.32	 \$ 1,160.81

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 ENDOWMENT FUND POOLED TRUST
 STATEMENTS OF OPERATIONS
 Years ended December 31, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Investment income			
Interest income	\$ 7,959,184	\$ 7,739,009	\$ 7,220,159
Dividend income	<u>11,443,953</u>	<u>11,426,593</u>	<u>9,562,611</u>
Total investment income	19,403,137	19,165,602	16,782,770
Management fee	<u>(6,575,777)</u>	<u>(6,054,749)</u>	<u>(5,939,767)</u>
Investment income, net	12,827,360	13,110,853	10,843,003
Net realized and unrealized gains (losses) on investments	<u>86,665,169</u>	<u>24,470,845</u>	<u>(20,159,361)</u>
Increase (decrease) in participants' accounts from operations	<u><u>\$ 99,492,529</u></u>	<u><u>\$ 37,581,698</u></u>	<u><u>\$ (9,316,358)</u></u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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 STATEMENTS OF CHANGES IN PARTICIPANTS' ACCOUNTS
 Years ended December 31, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Changes in participants' accounts from operations			
Investment income, net	\$ 12,827,360	\$ 13,110,853	\$ 10,843,003
Net realized and unrealized gains (losses) on investments	<u>86,665,169</u>	<u>24,470,845</u>	<u>(20,159,361)</u>
Increase (decrease) in participants' accounts from operations	99,492,529	37,581,698	(9,316,358)
Capital transactions			
Participant contributions	47,886,209	47,873,254	57,999,414
Distribution of endowment income	(25,305,567)	(23,410,662)	(22,852,006)
Participant withdrawals	<u>(19,183,401)</u>	<u>(18,897,555)</u>	<u>(16,808,420)</u>
Increase in participants' accounts from capital transactions	3,397,241	5,565,037	18,338,988
Increase in participants' accounts	102,889,770	43,146,735	9,022,630
Participants' accounts at beginning of year	<u>632,951,896</u>	<u>589,805,161</u>	<u>580,782,531</u>
Participants' accounts at end of year	<u>\$ 735,841,666</u>	<u>\$ 632,951,896</u>	<u>\$ 589,805,161</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - ORGANIZATION

The Evangelical Lutheran Church in America 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 Evangelical Lutheran Church in America (the Church) and the Endowment Fund of the Evangelical Lutheran Church in America (the Endowment Fund). The Church established the Trust to allow for the collective long-term investment of funds belonging to the Church, Endowment Fund, its congregations, synods, seminaries, and other eligible affiliated entities (the Participants). The Endowment Fund is the Trustee of the Trust. The ELCA is the administrator of the Trust. The Board of Pensions, doing business as Portico Benefit Services, an affiliated corporation of the Church, is the Investment Advisor to the Trust. The Trust was established on January 20, 1999, when the Endowment Fund contributed \$25,000 of capital to the Trust. The Trust commenced operations on July 1, 1999, when the Endowment Fund of the Church transferred Participants' accounts of approximately \$190,400,000 to the Trust.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash and Cash Equivalents: Cash and cash equivalents consist primarily of a corporate checking account and a cash call account with the direct investments manager.

Investments: Investments are carried at fair value.

Purchases and redemptions of investments are recorded on the transaction effective date. Investment income and realized gains and losses are allocated based on proportional investment interests in the investments.

Unrealized gains and losses are reflected in the statement of operations. Realized gains and losses on redemptions are determined on the basis of average cost and are also reflected in the statement of operations.

Management Fees: For calendar year 2015, 2016 and through June 30, 2017, the Trust paid the Trustee a monthly fee equal to 1/12% of the Trust's net asset value as of the close of business on the last business day of each month. The Trust was not separately charged for the services of the administrator, investment advisor, or custodian. These fees were paid by the Trustee. Effective July 1, 2017, the management fee based on the Trust's net asset value is paid monthly to the Trustee on the last business day of each month. The management fee is an administrative fee of 60 basis points paid in equal monthly installments and an expense ratio of approximately 44 basis points.

Participant Contribution and Withdrawal: The Trustee has established, for accounting purposes, an initial unit value for the Trust and the Trust assigns units to Participants based on the Participants' contributions divided by the unit value. At all times, the total value of the Trust's net assets divided by the total of all Participants' units will equal the unit value. The value of a unit in the Trust will be determined on each valuation date. The Trustee has determined the valuation date to be the last day of each calendar month. The valuation of the assets of the Trust is based on the fair value of the Trust's investments as of the valuation date.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For calendar year 2015, 2016 and through October 31, 2017 participant contributions received by the Trustee since the prior valuation date were divided by the previous valuation date unit value to determine the number of units that were allocated to the Participant's account. Effective November 1, 2017, participant contributions are invested in a Money Market Fund as of the date the funds are received by the Trustee and sold on the last day of the month. Interest is earned on the Money Market Fund during this time-period. The balance in the Money Market Fund, including the interest, is used to purchase units in the Trust on the last day of the month utilizing the current month unit value.

Withdrawals from the Trust may be made by Participant request. Withdrawal amounts are divided by the unit value as of the previous valuation date to determine the number of units withdrawn. Closing withdrawals are made only as of the next future valuation date using the unit value as of that valuation date.

Income Tax: The Church received a group ruling determination letter from the Internal Revenue Service in 1988 recognizing the exemption from federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. In 1993, the Endowment Fund of the Evangelical Lutheran Church in America was included in the group ruling. Accordingly, no provision for income taxes has been made in the financial statements.

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 increases and decreases in Participants' accounts from operations during the reporting period. Actual results could differ from those estimates.

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 entity's (NFP's) 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 an 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 Trust has not yet implemented ASU 2016-14 and is in the process of assessing the effect on the Trust's financial statements. The Trust is required to adopt this for the year ending December 31, 2018.

NOTE 3 - INVESTMENTS

Return Objectives and Risk Parameters: The Trust's 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. 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 annually, net of investment management fees, over rolling five-year time periods. Actual returns in any given year may vary from this objective.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 3 - INVESTMENTS (Continued)

Strategies Employed for Achieving Objectives: The Investment Advisor endeavors to achieve long-term return objectives within prudent risk constraints by investing the Trust's assets in a diversified portfolio that consists of equity-based, fixed-income, and alternative investments. Whenever possible, investments are selected in accordance with the criteria of social responsibility that is consistent with the values and programs of the Church. The Trust's target asset allocation ranges are 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. The investment advisors as of December 31, 2017, are:

The U.S. equity securities portfolio is invested in the Investment Advisor's Social Purpose U.S. Equity Pool, which is managed by the following investment advisors:

Asset Class	Target %	Investment Advisor	Target %
SP U.S. Equity Pool	27%	State Street Global Advisors, passive	34-38%
		Martingale Asset Management	12-16%
		Los Angeles Capital Management	10-14%
		Jackson Square Partners	13-17%
		Hotchkis and Wiley Capital Management	13-17%
		LSV Asset Management	3-5%
		State Street Global Advisors, active	3-5%

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NOTE 3 - INVESTMENTS (Continued)

The Non-U.S. equity securities portfolio is invested in the Investment Advisor's Social Purpose Non-U.S. Equity Pool, which is managed by the following investment advisors:

Asset Class	Target %	Investment Advisor	Target %
SP Non-U.S. Equity Pool	30%	State Street Global Advisors	28-32%
		AQR Capital Management	11-21%
		Mondrian Investment Partners	18-22%
		Baillie Gifford Overseas Limited	18-22%
		Acadian Asset Management	+/-2% *
		T. Rowe Price Associates, Inc.	+/-2% *

* (+/-2% of half of the small cap weight in the Morgan Stanley Capital International All-Country World ex-U.S. Investable Market Index (Index) or generally 5% to 9%); and T. Rowe Price (+/-2% of half of the small cap weight in the Index or generally 5% to 9%). The small cap weight in the previously mentioned Index floats with the changes in the market cap of small cap stocks relative to large cap stocks.

The fixed income securities portfolio is invested in the Investment Advisor's Social Purpose Investment Grade Bond Pool.

Asset Class	Target %	Investment Advisor	Target %
SP Investment Grade Bond Pool	8.5%	Portico Benefit Services	40-50%
		State Street Global Advisors	50-60%

The high-yield portfolio is invested in the Investment Advisor's Social Purpose High Yield Pool, which is managed by the following investment advisors:

Asset Class	Target %	Investment Advisor	Target %
SP High Yield Bond Pool	8.5%	Allianz Global Investors U.S., LLC	35-45%
		T. Rowe Price Associates, Inc.	35-45%
		Loomis, Sayles & Company, LP	15-25%

The Global Real Estate Securities portfolio is invested in a diversified portfolio of securities of U.S. and non-U.S. real estate companies that own income-producing properties or land. The real estate portfolio will be comprised principally of equity-related real estate securities, and will be invested in stocks that are listed on national exchanges or traded in the over-the-counter market. The Global Real Estate Securities pool is managed by:

Asset Class	Target %	Investment Advisor	Target %
Global Real Estate Securities Pool	5%	Duff & Phelps	55-65%
		BlackRock Financial Management, Inc.	35-45%

The inflation-indexed securities portfolio is invested in the Investment Advisor's Inflation-Indexed Bond Pool, which is managed by the following investment advisor:

Asset Class	Target %	Investment Advisor	Target %
Inflation Indexed Bond Pool	5%	State Street Global Advisors	100%

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NOTE 3 - INVESTMENTS (Continued)

The Absolute Return portfolio is invested in a fund of hedge funds utilizing alternative investment strategies and is managed by:

Asset Class	Target %	Investment Advisor	Target %
Absolute Return	3%	Grosvenor Capital Management, L.P.	100%

The Infrastructure portfolio is invested in bank debt pools totaling \$1.0 billion to \$1.5 billion and is managed by:

Asset Class	Target %	Investment Advisor	Target %
Infrastructure	3%	J P Morgan Asset Management	100%

The Alternative Equities portfolio utilizes multiple investment strategies, vintage years and geographies across primary fund investments, secondaries, and co-investment and is managed by:

Asset Class	Target %	Investment Advisor	Target %
Alternative Equities	5%	Hamilton Lane	100%

Standish Mellon Asset Management Company, LLC (Standish Mellon, doing business as Cash Investment Strategies) is responsible for managing a short-term cash strategies portfolio to be invested in short-term debt securities of government, corporate and structured asset issuers with a significant portion invested in repurchase agreements.

Fair Value Hierarchy: Governing accounting principles define fair value as the price that would be received for an asset (an exit price) in the Trust's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Accounting principles require an entity maximize the use of observable inputs and minimize the use of 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 Trustee 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 Trustee's own assumptions about the assumptions that 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. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 3 - INVESTMENTS (Continued)

Investments in Pools: The Trust's investments in the U.S. Equities, Non-U.S. Equities, Investment Grade Bonds, Inflation Indexed Bonds, High Yield Bonds, and Global Real Estate Securities shown above are invested in the Investment Advisor's investment pools. The fair value of each of the Trust's portfolios is measured using the same unitization method, with values differing according to the underlying securities of each pool. On the first business day of each month, the Trust may purchase or redeem units in the investment pools based on the pools' prior month-end closing unit prices. Units in these pools are not exchanged and do not have quoted prices in active markets. Prices for underlying securities in the investment pools 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 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 net asset value that is assigned to the Trust's units. As a result, the Trust's investments in pools, in accordance with Accounting Standards Codification Topic 820, are not required to be classified within the fair value hierarchy.

Direct Investments: At December 31, 2017, the Trust held a total of \$51,173,475 in investments in absolute return, infrastructure, alternative equities funds and cash equivalents. The absolute return, infrastructure and alternative equities funds are collectively referred to as alternative investments, whose values have been estimated by the Trust in the absence of readily ascertainable market values. The Trust's estimate of fair value is generally based on the NAV provided to the Trust 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 Trust bases its estimate of fair value on the unaudited information calculated by the respective alternative investment fund's management and reported to the Trust.

Direct Investment Capital Contributions: The Trust made capital contributions to alternative investments as called for by the investment agreements in 2017:

<u>Investment Strategies</u>	<u>2017</u>
Absolute return	\$ 25,000,000
Infrastructure	19,000,000
Alternative equities	<u>3,500,000</u>
Total	<u>\$ 47,500,000</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 3 - INVESTMENTS (Continued)

Direct Investment Strategy and Redemption Information: The investment strategy types, commitments to additional capital contributions, and various features of the alternative investment portfolio as of December 31, 2017, 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 Grosvenor 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 Trust 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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NOTE 4 - DISTRIBUTIONS

Distributions are made quarterly at a rate established annually by the Trustee. The distribution rate reflects the Trustee's consideration of the anticipated returns of the Trust and anticipated changes in the purchasing power of the Trust. The rate established for 2017 and 2016 was 4.0%. The rate for 2015 was 4.25%. These rates 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. Earnings in excess of the distribution rate are allocated among the Participant 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.

The Trustee-approved distribution for the year 2018 is 4.0% of the average December 31 unit values of the five preceding years.

NOTE 5 - RELATED-PARTY TRANSACTIONS

The ELCA Churchwide Organization is the beneficiary of endowment accounts with a fair value of approximately \$263.2 million, \$231.0 million and \$222.8 million at December 31, 2017, 2016 and 2015, respectively.

The Trust paid administrative expenses and management fees totaling \$6,575,777, \$6,054,749 and \$5,939,767 in 2017, 2016 and 2015, respectively. The Trust had balances payable to the Church of \$1,581,916, \$1,718,720 and \$1,577,398 at December 31, 2017, 2016 and 2015, respectively.

NOTE 6 - CONCENTRATION OF BUSINESS

The Trust's Participants are the Church and related organizations. The Church has invested assets in the Trust totaling \$387.2 million, \$339.0 million and \$328.0 million at December 31, 2017, 2016 and 2015, respectively. The Church's invested assets represent approximately 52.6%, 53.6% and 55.6% of Participants' accounts at December 31, 2017, 2016 and 2015, respectively. No other participant represented more than 5% of Participants' accounts.

NOTE 7 - SECURITIES LOANED

The Trust'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 Trust's beneficial interest in fees earned by the investment pools totaled \$1,305,099, \$768,302 and \$331,254 for the years ended December 31, 2017, 2016 and 2015, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 8 - FINANCIAL HIGHLIGHTS

The following table summarizes the Trust's financial highlight ratios as of December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Per share operating performance			
Net asset value, beginning of period	\$ 1,187.32	\$ 1,160.81	\$ 1,224.92
Income from investment operations			
Net investment income	23.76	24.64	22.93
Net realized and unrealized gains (losses)	<u>159.79</u>	<u>46.80</u>	<u>(40.30)</u>
Total income (loss) from investment operations	183.55	71.44	(17.37)
Distributions	<u>(46.65)</u>	<u>(44.93)</u>	<u>(46.74)</u>
Net asset value, end of period	<u>\$ 1,324.22</u>	<u>\$ 1,187.32</u>	<u>\$ 1,160.81</u>
Trust Financial Ratios:			
Net investment income (i.e., interest and dividends) to average participants' accounts	1.85%	2.13%	1.84%
Expenses to average participants' accounts	0.95%	0.98%	1.01%

The Trust calculates average net assets based on the quarterly ending Participants' account balances.

NOTE 9 - SUBSEQUENT EVENTS

Effective January 1, 2018, the Endowment Fund of the Evangelical Lutheran Church in American (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 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 will be 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.

Management has performed an analysis of the activities and transactions subsequent to December 31, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2017. Management has performed their analysis through March 22, 2018, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.