

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION**

FINANCIAL STATEMENTS
January 31, 2020 and 2019



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2020 and 2019

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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 statements of financial position as of January 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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, 2020 and 2019, or the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Church has adopted ASU 2014-09, *Revenue from Contracts with Customers: Topic 606* and ASU 2018-08, *Not-For-Profit Entities: Topic 958, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink that reads "Crowe LLP". The "C" is large and stylized, with the "rowe" written in a cursive script, and "LLP" in a bold, sans-serif font.

Crowe LLP

Chicago, Illinois
September 2, 2020

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
January 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 42,183,041	\$ 49,961,879
Accounts receivable (Note 2)	7,836,607	8,476,200
Interest receivable	220,780	186,641
Due from related organizations (Note 8)	4,416,349	3,657,571
Investments (Note 3)	487,142,400	450,835,930
Prepaid expenses and other assets	8,844,228	8,789,369
Mortgages and notes (Note 4)	300,069	337,566
Overseas church construction loans (Note 5)	500,235	305,537
Property, furniture, and equipment, net (Note 6)	22,742,420	23,702,790
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	18,755,436	16,299,317
Beneficial interest in perpetual trusts (Note 3)	<u>19,817,846</u>	<u>19,357,188</u>
 Total assets	 <u>\$ 612,759,411</u>	 <u>\$ 581,909,988</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 5,271,033	\$ 6,830,712
Deferred revenue	863,884	812,657
Due to related organizations (Note 8)	5,760,687	1,487,575
Accrued liabilities	4,349,782	4,002,679
Annuities payable (Note 7)	9,327,902	15,711,678
Funds held for others (Note 1)	8,270,334	10,552,599
Funds held for others in perpetuity (Note 1)	<u>92,213,552</u>	<u>84,235,354</u>
Total liabilities	<u>126,057,174</u>	<u>123,633,254</u>
 Net assets		
Without donor restrictions (Note 16)	110,553,386	101,646,347
With donor restrictions (Note 17)	<u>376,148,851</u>	<u>356,630,387</u>
Total net assets	<u>486,702,237</u>	<u>458,276,734</u>
 Total liabilities and net assets	 <u>\$ 612,759,411</u>	 <u>\$ 581,909,988</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2020 and 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 14)	\$ 42,589,108	\$ -	\$ 42,589,108	\$ 43,005,111
World Hunger Appeal	-	19,369,403	19,369,403	19,578,515
Global Church sponsorship	2,874,449	40,077	2,914,526	3,435,492
Disaster response	-	8,098,067	8,098,067	9,897,638
Deferred gift contributions	-	1,580,254	1,580,254	128,846
Endowment distributions	3,494,278	4,508,147	8,002,425	9,561,304
Mission Investment Fund	1,580,641	50,000	1,630,641	1,513,000
Bequests, trusts, and residuums	3,536,876	2,913,685	6,450,561	6,555,260
Grants—corporate and other	-	3,634,029	3,634,029	2,433,491
Other gifts	3,934,679	3,665,910	7,600,589	9,504,985
Total contributed revenue	<u>58,010,031</u>	<u>43,859,572</u>	<u>101,869,603</u>	<u>105,613,642</u>
Other revenue				
Net investment return on operating investments	5,285,055	134,922	5,419,977	5,304,859
SPPO offices' revenue	457,004	-	457,004	565,764
Services and other revenue	3,832,183	10,596	3,842,779	17,326,490
Lease income	1,804,459	-	1,804,459	1,644,679
Miscellaneous income	-	27,598	27,598	173,681
Total other revenue	<u>11,378,701</u>	<u>173,116</u>	<u>11,551,817</u>	<u>25,015,473</u>
Net assets released from restrictions				
Satisfaction of restrictions (Note 15)	45,837,270	(45,837,270)	-	-
Income expended from investments held in perpetuity	4,361,419	(4,361,419)	-	-
Net assets released from restrictions	<u>50,198,689</u>	<u>(50,198,689)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>119,587,421</u>	<u>(6,166,001)</u>	<u>113,421,420</u>	<u>130,629,115</u>
Operating expenses				
Program services				
Domestic Mission	45,139,092	-	45,139,092	51,068,178
Global Mission	32,026,402	-	32,026,402	35,542,342
Mission Advancement	6,040,629	-	6,040,629	5,666,949
Church periodicals	2,127,859	-	2,127,859	2,129,088
Office of the Presiding Bishop	2,070,109	-	2,070,109	3,084,842
SPPO offices' expense	479,060	-	479,060	618,826
Retiree's pension	-	-	-	135,647
Post-retirement health care benefits (Note 10)	2,000,000	-	2,000,000	2,000,000
Total program services	<u>89,883,151</u>	<u>-</u>	<u>89,883,151</u>	<u>100,245,872</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2020 and 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 2,576,565	\$ -	\$ 2,576,565	\$ 2,939,505
Office of the Treasurer	9,901,059	-	9,901,059	9,488,469
Office of the Secretary	5,819,638	-	5,819,638	3,388,868
Mission Advancement	2,042,097	-	2,042,097	2,172,689
Total management and general	20,339,359	-	20,339,359	17,989,531
Fundraising				
Mission Advancement	4,756,852	-	4,756,852	5,137,934
Total fundraising	4,756,852	-	4,756,852	5,137,934
Total operating expenses	114,979,362	-	114,979,362	123,373,337
Net operating revenue and support less operating expenses	4,608,059	(6,166,001)	(1,557,942)	7,255,778
Non-operating transactions				
Endowment contributions	1,253,759	8,037,414	9,291,173	8,998,377
Net investment return on endowment and other deferred gifts	3,045,221	19,456,255	22,501,476	(24,216,774)
Change in fair value of beneficial interest in outside trusts and split-interest agreements (Note 3)	-	450,865	450,865	(822,610)
Change in value of split-interest agreements	-	(2,260,069)	(2,260,069)	(3,107,790)
Total non-operating transactions	4,298,980	25,684,465	29,983,445	(19,148,797)
Changes in net assets	8,907,039	19,518,464	28,425,503	(11,893,019)
Net assets at beginning of year	101,646,347	356,630,387	458,276,734	470,169,753
Net assets at end of year	\$ 110,553,386	\$ 376,148,851	\$ 486,702,237	\$ 458,276,734

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
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	2,717,463	6,787,522	9,504,985
Total contributed revenue	58,415,540	47,198,102	105,613,642
Other revenue			
Net investment return on operating investments	4,896,542	408,317	5,304,859
SPPO offices' revenue	565,764	-	565,764
Services and other revenue	17,280,342	46,148	17,326,490
Lease income	1,644,679	-	1,644,679
Miscellaneous income	-	173,681	173,681
Total other revenue	24,387,327	628,146	25,015,473
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	53,722,755	(53,722,755)	-
Total operating revenue and support	136,525,622	(5,896,507)	130,629,115
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	100,245,872	-	100,245,872

(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	(5,896,507)	7,255,778
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)	(16,097,580)	(24,216,774)
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	-	(3,107,790)	(3,107,790)
Total non-operating transactions	(7,760,482)	(11,388,315)	(19,148,797)
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
STATEMENTS OF CASH FLOWS
Years ended January 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 28,425,503	\$ (11,893,019)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,488,034	2,854,216
Change in fair value of investments	(34,795,216)	16,412,617
(Gain)loss on beneficial interest in perpetual trusts and irrevocable split-interest agreements, held by ELCA Foundation	(2,916,777)	822,610
Changes in		
Accounts receivable	639,593	1,156,689
Interest receivable	(34,139)	(29,026)
Prepaid expenses and other assets	(54,859)	1,240,077
Accounts payable	(1,559,679)	4,123,268
Deferred revenue	51,227	(5,441,672)
Due to (from) related organizations	3,514,334	(1,547,611)
Accrued liabilities and funds held for others	900,737	405,916
Funds held for others in perpetuity	7,978,198	(2,212,494)
Net cash provided by operating activities	4,636,956	5,891,571
Cash flows from investing activities		
Purchase and acquisition of equipment	(1,527,664)	(584,883)
Issuance of mortgages and notes	-	(160,000)
Payments received on mortgages and notes	37,497	47,164
Issuance of overseas Church construction loans	(241,050)	(10,000)
Payments received on overseas church construction loans	46,352	228,829
Purchase of investments	(17,934,615)	(9,192,308)
Proceeds from sale of investments	8,073,728	12,543,183
Net cash (used in) provided by investing activities	(11,545,752)	2,871,985
Cash flows from financing activities		
Annuities payable	(870,042)	(2,714,557)
Payments on mortgage payable, notes payable, and capital leases	-	(12,256)
Net cash used in financing activities	(870,042)	(2,726,813)
(Decrease)increase in cash and cash equivalents	(7,778,838)	6,036,743
Cash and cash equivalents at beginning of year	49,961,879	43,925,136
Cash and cash equivalents at end of year	\$ 42,183,041	\$ 49,961,879
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	8,349,633	30,145,461
Transfer of obligations related to charitable gift annuities to the ELCA Foundation	8,349,633	30,059,740

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 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, Women of the Evangelical Lutheran Church in America, ELCA Federal Credit Union (Credit Union), congregations, synods, 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 (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 years ended January 31, 2020 and 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 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 Irrevocable, Split-Interest Agreements, Held by ELCA Foundation: The Church holds a beneficial remainder interest in various charitable gift annuities and charitable remainder trusts, commonly referred to as split-interest agreements. These agreements are administered by the ELCA Foundation on behalf of the Church and other beneficiaries. The Church records the fair value of the beneficial interest as a receivable and as revenue when documentation of the beneficial interest is received.

Beneficial Interest in Perpetual Trusts Administrated by Outside Organizations: 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 equity mutual funds, corporate and government obligations, term deposit accounts 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

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019

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

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.

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 and Expenses: 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.

Contributed Support: 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 met.

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.

Services and Other Revenue: Revenues from separately incorporated ministries and unincorporated self-supporting ministries for services provided by the Church (e.g., human resources, information technology, financial services, building management) relate to agreements to provide such services negotiated on an annual basis. These revenues are recognized throughout the year as these services are performed. Subscription revenue relates to publications and is recognized as the related publications are distributed. Registration revenue relates to events and is recognized as the events are held. Amounts paid for events that have not yet been held at January 31 are included in deferred revenues.

Income Tax: The Church has received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no significant unrelated business income activities during the years ended January 31, 2020 and 2019.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019

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

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, 2020 and 2019.

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. Actual results could differ from estimates.

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

Recently Adopted Accounting Guidance: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the current revenue recognition requirements and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018. The Church has implemented the provisions of this ASU for the year ended January 31, 2020 using the modified retrospective approach. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. Updated disclosures can be found in Note 1 to the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Topic 958*. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendment also provided additional guidance for the determination of whether a contribution is conditional. The Church adopted this ASU for the year ended January 31, 2020 using the modified retrospective approach. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2020 and 2019, were \$6,407,324 and \$7,197,701, respectively, relating to synods' contributions for mission support, world hunger appeal, global church sponsorship, and other programs that have been collected subsequent to year end. Interest is not normally charged on receivables. Management reviews all of the receivables on an individual basis for collectability and determines whether an allowance is necessary. No allowance for bad debts has been established because management considers all accounts receivable to be collectible.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Equity mutual fund	\$ 12,854,504	\$ 10,832,615
Fixed income securities		
U.S. government obligations	16,483,849	13,024,464
Corporate bonds	23,633,609	23,964,150
Term investments	2,448,563	3,025,619
Equity securities and physical real estate held at cost	1,836,748	1,886,778
Investments in pools	428,876,404	397,097,603
Cash and cash equivalents	<u>1,008,723</u>	<u>1,004,701</u>
	<u>\$ 487,142,400</u>	<u>\$ 450,835,930</u>

The following schedule summarizes the investment return reported in the statement of activities for the years ended January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Realized investment gains	\$ 10,996,015	\$ 16,091,726
Unrealized investment gains(losses)	23,799,201	(32,504,343)
Dividend and interest income	<u>1,128,662</u>	<u>7,062,006</u>
Investment return, net	<u>\$ 35,923,878</u>	<u>\$ (9,350,611)</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 \$10,000 and \$274,000, respectively, on investments with donor restrictions for the years ended January 31, 2020 and 2019 with offsetting increases in certain liabilities reported.

Also, unrealized gains of approximately \$249,000 and unrealized losses of \$23,000 on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2020 and 2019.

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

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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:

Equity mutual fund: The fair values of equity mutual fund investments reflect quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Fixed income securities: Fair values of U.S. Government securities reflect closing prices reported in the active markets in which the securities are traded (Level 1 inputs). Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs – market approach).

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)

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth, by level within the fair value hierarchy, financial instruments owned, at fair value as of January 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 12,854,504	\$ -	\$ -	\$ 12,854,504
Fixed income securities				
U.S. government obligations	16,483,849	-	-	16,483,849
Corporate bonds	-	23,633,609	-	23,633,609
Term investments	-	2,448,563	-	2,448,563
Cash and cash equivalents	1,008,723	-	-	1,008,723
Investments held at fair value	<u>\$ 30,347,076</u>	<u>\$ 26,082,172</u>	<u>\$ -</u>	<u>56,429,248</u>
Investments at net asset value per share				<u>428,876,404</u>
Total investments at fair value				485,305,652
Equity securities and physical real estate held at cost*				<u>1,836,748</u>
Total investments				<u>\$ 487,142,400</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,817,846</u>	<u>\$ 19,817,846</u>
Beneficial interest in irrevocable split-interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,755,436</u>	<u>\$ 18,755,436</u>
	2019			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 10,832,615	\$ -	\$ -	\$ 10,832,615
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>\$ 24,861,780</u>	<u>\$ 26,989,769</u>	<u>\$ -</u>	<u>51,851,549</u>
Investments at net asset value per share				<u>397,097,603</u>
Total investments at fair value				448,949,152
Equity securities and physical real estate held at cost*				<u>1,886,778</u>
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 buildings held by the Church at cost, were \$640,820 and \$690,850 as of January 31, 2020 and 2019, respectively was not included in the fair value tables above. Additionally, equity securities, comprised of closely held stock held by the Church at cost, of \$1,195,928 at both January 31, 2020 and 2019 was not included in the fair value tables above.

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below rolls forward balances for Level 3 beneficial interest in perpetual trusts from February 1, 2018, through January 31, 2020:

Balance as of February 1, 2018	\$ 21,096,543
Unrealized losses	
Funds held for others	(916,745)
Outside trusts held in perpetuity	<u>(822,610)</u>
Balance as of January 31, 2019	19,357,188
Unrealized gains	
Funds held for others	9,793
Outside trusts held in perpetuity	<u>450,865</u>
Balance as of January 31, 2020	<u><u>\$ 19,817,846</u></u>

The table below rolls forward balances for Level 3 beneficial interest in split-interest agreements from February 1, 2018, through January 31, 2020:

Balance as of February 1, 2018	\$ -
Increase in beneficial interest resulting from transfer of split-interest assets and liabilities	<u>16,299,317</u>
Balance as of January 31, 2019	16,299,317
Increase in beneficial interest resulting from transfer of split-interest assets and liabilities	<u>2,456,119</u>
Balance as of January 31, 2020	<u><u>\$ 18,755,436</u></u>

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.

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

The target asset allocation ranges are 22% to 32% in U.S. equity securities, 25% to 35% in Non-U.S. equity securities, 4% to 14% in investment grade fixed income securities, 0.0% to 10.0% in high yield fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in hedge funds, 0% to 8% in infrastructure, 0% to 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 the years ended December 31, 2019 and 2018 was 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 2020 is 4%.

NOTE 4 - MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2020 are summarized as follows:

	<u>Interest Rate</u>	<u>2020</u>	<u>2019</u>
Partnership support loans to congregations	0%	\$ 300,069	\$ 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, 2020 and 2019. The Church does not believe that an allowance is necessary for these mortgage notes. If a Congregation decides to leave and is not able to pay the full amount received, the Church provides the opportunity for them to repay in installments.

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS

Overseas church construction loans bear interest at rates ranging from 2% to 5% and mature at various dates through October 15, 2029. The balances of overseas church construction loans outstanding as of January 31, 2020 and 2019 is \$500,235 and \$305,537, respectively.

(Continued)

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NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS (Continued)

Concentration of Credit Risk: The loan portfolio consists of one segment and one class. ELCA's overseas lending activities are primarily conducted with companion churches. Notes receivable are generally not collateralized with real estate but are secured by the grants from the ELCA. At January 31, 2020 and 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 years ended January 31:

	<u>2020</u>	<u>2019</u>
Africa	\$ 112,282	\$ 159,100
Latin America/Caribbean	<u>387,953</u>	<u>146,437</u>
Total overseas construction loans	<u>\$ 500,235</u>	<u>\$ 305,537</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, 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	51,594,286	51,452,800
Furniture and equipment	12,942,598	12,561,790
Work in progress	<u>1,227,899</u>	<u>222,529</u>
	65,897,783	64,370,119
Less accumulated depreciation	<u>(43,155,363)</u>	<u>(40,667,329)</u>
Totals	<u>\$ 22,742,420</u>	<u>\$ 23,702,790</u>

Depreciation expense for the years ended January 31, 2020 and 2019 was \$2,488,034 and \$2,854,216, respectively.

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. 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.

(Continued)

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

Pooled Income Funds and Life Income Contracts: Donors contribute assets to an investment pool and are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor or designated beneficiary is paid the actual ordinary income earned on the donor's units. Realized gains or losses are added to each unit's principal. Upon the donor's death, the value of the units is released to the Church or a related organization to be used as specified by the donor.

The contributed assets are recorded at fair value. A contribution is recorded at the fair value of the assets discounted for the estimated time period until the donor's death. The appropriate risk adjusted rate at the date of the contribution is used for the discount rate, and the 2012 IAR Tables are used to calculate life expectancies. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future revenue.

A summary of recorded amounts related to these arrangements as of January 31, 2020 and 2019, is as follows:

	2020		2019	
	Deferred Revenue	Annuities Payable	Deferred Revenue	Annuities Payable
Charitable remainder annuity trusts	\$ -	\$ 386,161	\$ -	\$ 449,440
Charitable remainder unitrusts	-	2,218,036	-	2,192,049
Charitable gift annuities	-	6,723,705	-	13,070,189
Pooled income funds	470,335	-	457,718	-
Life income funds	53,304	-	55,312	-
Life income estates	98,676	-	98,676	-
	<u>\$ 622,315</u>	<u>\$ 9,327,902</u>	<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.

NOTE 8 - RELATED-PARTY TRANSACTIONS

The ELCA Churchwide Organization is the beneficiary of endowment, trust and annuity accounts with a fair value of \$450,754,228 and \$416,382,047 at January 31, 2020 and 2019. These are managed by the ELCA Foundation.

The Church had a net payable due to related organizations, in the amount of \$1,344,338 at January 31, 2020 and a net receivable due from related organizations of \$2,169,996 at January 31, 2019. The net payable represents monies owed to the ELCA Foundation, related to the transfer to the Charitable Gifts Annuities, offset by 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
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NOTE 9 - DEFINED-CONTRIBUTION PENSION PLAN

Substantially all active employees of the Church are enrolled in the noncontributory defined-contribution pension plan administered by Portico Benefit Services. The employer contributions to the plan for the years ended January 31, 2020 and 2019 were \$3,688,820 and \$3,563,522, respectively. All contributions to the plan are funded on a current basis.

NOTE 10 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS

Pension Benefits: The Church has established minimum pension levels, assumed from predecessor church organizations, for certain clergy who retired prior to January 1, 1988. The Church provides funding for these minimum pension benefits to the extent that the reserves maintained by Portico Benefit Services are insufficient to fund the plan. During the years ended January 31, 2020 and 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 6,900 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 include the trust assets of approximately \$103,493,000 and \$105,139,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$92,258,000 and \$100,509,000 at December 31, 2019 and 2018, respectively.

The Church contributed \$2,000,000 during the fiscal years ended January 31, 2020 and 2019 toward the funding of this post-retirement health care benefit and expects to contribute \$1,150,000 during the fiscal year ending January 31, 2021. During the fiscal years ended January 31, 2020 and 2019, other ELCA employers that sponsor employees in the ELCA Pension and Other Benefits Program contributed 0.7% and 0.7%, respectively, of sponsored members' defined compensation. Contributions collected in this manner for the years ended January 31, 2020 and 2019, were approximately \$4,500,000 and \$4,600,000, respectively. The contribution rates, including the contribution for retiree support, are set annually by the Board of Trustees of Portico.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 11 - LEASES

Operating Leases: The Church leases certain office facilities and equipment under various operating leases. The facilities' leases generally provide for renewal options and include escalator clauses based on increases in real estate taxes and operating expenses. Total rent expenses for operating leases was approximately \$49,000 and \$263,000 for the years ended January 31, 2020 and 2019, respectively.

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

2021	\$ 103,201
2022	<u>103,201</u>
Total	<u>\$ 206,402</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, 2020 and 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, 2020 and 2019, or during the years then ended.

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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>2020</u>	<u>2019</u>
Region 1 – Northwest	\$ 2,118,171	\$ 2,181,542
Region 2 – Southwest	3,813,365	3,695,354
Region 3 – Northwest Midwest	6,865,431	6,980,360
Region 4 – Southwest Midwest	4,052,289	4,096,210
Region 5 – Northeast Midwest	8,764,660	8,817,185
Region 6 – Southeast Midwest	3,792,089	3,889,880
Region 7 – Northeast	4,258,011	4,393,752
Region 8 – East	4,085,462	4,177,572
Region 9 – Southeast	<u>4,839,630</u>	<u>4,773,256</u>
 Total synod mission support	 <u>\$ 42,589,108</u>	 <u>\$ 43,005,111</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 years ended January 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of program restrictions:		
World Hunger	\$ 19,272,684	\$ 22,575,896
Disaster Relief	15,448,291	12,879,301
Domestic Mission	939,589	3,889,468
Global Mission	2,077,839	3,492,792
Office of the Presiding Bishop	524,499	324,480
Other programs	<u>7,574,368</u>	<u>3,247,921</u>
 Satisfaction of program restrictions	 45,837,270	 46,409,858
 Income expended from investments held in perpetuity	 <u>4,361,419</u>	 <u>7,312,897</u>
 Total releases from restriction	 <u>\$ 50,198,689</u>	 <u>\$ 53,722,755</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 16 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
General	\$ 60,310,545	\$ 53,272,472
Funds functioning as endowment (Note 18)	27,500,421	24,671,085
Net investment in property, furniture, equipment and building	<u>22,742,420</u>	<u>23,702,790</u>
	<u>\$ 110,553,386</u>	<u>\$ 101,646,347</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>2020</u>	<u>2019</u>
Program-restricted:		
Disaster Relief	\$ 25,545,716	\$ 29,555,980
World Hunger	7,226,737	9,389,606
Office of the Presiding Bishop	1,043,924	1,459,218
Domestic Mission	9,190,387	6,064,059
Global Mission	6,025,662	5,239,847
Mission Advancement	3,930,695	3,895,433
Other Programs	<u>2,297,973</u>	<u>1,232,105</u>
Total program-restricted	55,261,094	56,836,248
Time-restricted, expendable in subsequent years	<u>116,739,741</u>	<u>103,590,662</u>
	172,000,835	160,426,910
Total net assets expendable upon satisfaction of donor-imposed restrictions		
Investments in perpetuity, the income from which is expendable	192,379,814	185,686,063
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	9,619,403	8,325,064
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,148,799</u>	<u>2,192,350</u>
	204,148,016	196,203,477
Total net assets with donor restrictions in perpetuity		
Total net assets with donor restriction	<u>\$ 376,148,851</u>	<u>\$ 356,630,387</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 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, 2020 and 2019. At January 31, 2020 and 2019, \$27,500,421 and \$24,671,085 was reported in net assets without donor restrictions. During the year, \$4,638,625 and \$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 years ended January 31, 2020 and 2019 were 4% and 4%, respectively, 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.

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, 2020, 28 of 1,075 accounts had accumulated undistributed earnings. 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, 2020 and 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, 2020 and 2019:

	2020		
	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Donor-restricted funds*	\$ -	\$ 306,915,742	\$ 306,915,742
Funds functioning as endowment	<u>27,500,421</u>	<u>-</u>	<u>27,500,421</u>
	<u>\$ 27,500,421</u>	<u>\$ 306,915,742</u>	<u>\$ 334,416,163</u>
	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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019

NOTE 18 - ENDOWMENT FUNDS (Continued)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net assets, February 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>
Net investment return	431,230	24,496,285	24,927,515
New gifts	1,253,759	8,037,414	9,291,173
Net assets released from restriction	4,638,625	(4,638,625)	-
Other changes			
Endowment distribution of income	<u>(3,494,278)</u>	<u>(4,508,147)</u>	<u>(8,002,425)</u>
Total other changes	<u>(3,494,278)</u>	<u>(4,508,147)</u>	<u>(8,002,425)</u>
Net assets, January 31, 2020	<u>27,500,421</u>	<u>304,766,943</u>	<u>332,267,364</u>
Cash surrender value of life insurance	<u>-</u>	<u>2,148,799</u>	<u>2,148,799</u>
Net assets, January 31, 2020	<u>\$ 27,500,421</u>	<u>\$ 306,915,742</u>	<u>\$ 334,416,163</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 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 statements 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 years ended January 31, 2020 and 2019.

2020				
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 49,283,620	\$ 20,346	\$ -	\$ 49,303,966
Compensation and benefits	27,526,019	9,508,639	2,534,824	39,569,482
Travel	3,149,955	474,537	318,137	3,942,629
Events and conferences	1,722,354	1,571,323	268,434	3,562,111
Office operations	6,321,462	3,054,562	133,132	9,509,156
Depreciation	1,073,471	1,171,514	243,049	2,488,034
Occupancy	1,119,610	1,234,544	256,126	2,610,280
Transfers to restricted and designated funds	(1,966,186)	673,450	1,292,736	-
Miscellaneous and expense recovery	1,652,846	2,630,444	(289,586)	3,993,704
	<u>\$ 89,883,151</u>	<u>\$ 20,339,359</u>	<u>\$ 4,756,852</u>	<u>\$ 114,979,362</u>
2019				
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 51,526,735	\$ 114,489	\$ 1,500	\$ 51,642,724
Compensation and benefits	27,450,433	10,433,340	2,906,391	40,790,164
Travel	3,707,429	233,782	479,048	4,420,259
Events and conferences	8,897,578	99,509	162,035	9,159,122
Office operations	5,133,602	2,785,212	1,325,839	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	1,086,035	1,798,797	(146,666)	2,738,166
	<u>\$ 100,245,872</u>	<u>\$ 17,989,531</u>	<u>\$ 5,137,934</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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
January 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 42,183,041	\$ 49,961,879
Operating investments	<u>52,829,372</u>	<u>47,679,229</u>
	<u>\$ 95,012,413</u>	<u>\$ 97,641,108</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. The Church had \$27,500,421 and \$24,671,085 in board designated endowments without donor restriction at January 31, 2020 and 2019. While the Church does not have any intention of liquidating the board designated endowments, and they are not currently available for general expenditure, these funds could be made available with Church Council approval.

NOTE 22 - SUBSEQUENT EVENTS

A novel strain of coronavirus has surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Churchwide Organization of the Evangelical Lutheran Church in America could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

Management has performed an analysis of the activities and transactions subsequent to January 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2020. Management has performed their analysis through September 2, 2020, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.

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**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION**

FINANCIAL STATEMENTS
January 31, 2021 and 2020



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2021 and 2020

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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 statements of financial position as of January 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements being presented are only for the Churchwide 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, 2021 and 2020, or the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 20, 2021

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
January 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 45,970,823	\$ 42,183,041
Accounts receivable (Note 2)	8,399,360	7,836,607
Interest receivable	202,652	220,780
Due from related organizations, net (Note 8)	7,627,882	4,416,349
Investments (Note 3)	525,089,347	487,142,400
Prepaid expenses and other assets	8,164,207	8,844,228
Mortgages and notes (Note 4)	250,952	300,069
Overseas church construction loans (Note 5)	592,210	500,235
Property, furniture, and equipment, net (Note 6)	21,046,293	22,742,420
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	19,041,051	18,755,436
Beneficial interest in perpetual trusts (Note 3)	<u>20,081,297</u>	<u>19,817,846</u>
 Total assets	 <u>\$ 656,466,074</u>	 <u>\$ 612,759,411</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,855,407	\$ 5,271,033
Deferred revenue	778,027	863,884
Due to related organizations, net (Note 8)	2,742,884	5,760,687
Accrued liabilities	3,691,963	4,349,782
Annuities payable (Note 7)	6,138,120	9,327,902
Note payable (Note 22)	7,506,200	-
Funds held for others (Note 1)	7,038,297	8,270,334
Funds held for others in perpetuity (Note 1)	<u>101,447,294</u>	<u>92,213,552</u>
Total liabilities	<u>131,198,192</u>	<u>126,057,174</u>
 Net assets		
Without donor restrictions (Note 16)	123,220,311	110,553,386
With donor restrictions (Note 17)	<u>402,047,571</u>	<u>376,148,851</u>
Total net assets	<u>525,267,882</u>	<u>486,702,237</u>
 Total liabilities and net assets	 <u>\$ 656,466,074</u>	 <u>\$ 612,759,411</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2021 and 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 14)	\$ 40,737,461	\$ -	\$ 40,737,461	\$ 42,589,108
World Hunger Appeal	-	19,286,542	19,286,542	19,369,403
Global Church sponsorship	2,119,407	-	2,119,407	2,914,526
Disaster response	-	8,348,438	8,348,438	8,098,067
Deferred gift contributions	-	35,486	35,486	1,580,254
Endowment distributions	3,452,416	4,016,352	7,468,768	8,002,425
Mission Investment Fund	1,500,000	250,000	1,750,000	1,630,641
Bequests, trusts, and residuums	2,490,506	7,564,769	10,055,275	6,450,561
Grants—corporate and other	7,000	1,746,561	1,753,561	3,634,029
Other gifts	4,392,908	3,300,911	7,693,819	7,600,589
Total contributed revenue	54,699,698	44,549,059	99,248,757	101,869,603
Other revenue				
Net investment return on operating investments	870,959	68,899	939,858	5,419,977
SPPO offices' revenue	288,892	-	288,892	457,004
Services and other revenue	4,634,222	164,492	4,798,714	3,842,779
Lease income	1,843,939	-	1,843,939	1,804,459
Miscellaneous income	-	326,198	326,198	27,598
Total other revenue	7,638,012	559,589	8,197,601	11,551,817
Net assets released from restrictions				
Satisfaction of restrictions (Note 15)	45,482,945	(45,482,945)	-	-
Income expended from investments held in perpetuity	3,883,044	(3,883,044)	-	-
Net assets released from restrictions	49,365,989	(49,365,989)	-	-
Total operating revenue and support	111,703,699	(4,257,341)	107,446,358	113,421,420
Operating expenses				
Program services				
Domestic Mission	36,326,663	-	36,326,663	45,139,092
Global Mission	31,469,345	-	31,469,345	32,026,402
Mission Advancement	6,585,243	-	6,585,243	6,040,629
Church periodicals	1,809,747	-	1,809,747	2,127,859
Office of the Presiding Bishop	2,281,790	-	2,281,790	2,070,109
SPPO offices' expense	223,604	-	223,604	479,060
Post-retirement health care benefits (Note 10)	917,718	-	917,718	2,000,000
Total program services	79,614,110	-	79,614,110	89,883,151

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2021 and 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 3,398,942	\$ -	\$ 3,398,942	\$ 2,576,565
Office of the Treasurer	9,935,982	-	9,935,982	9,901,059
Office of the Secretary	3,233,170	-	3,233,170	5,819,638
Mission Advancement	2,899,079	-	2,899,079	2,042,097
Total management and general	<u>19,467,173</u>	<u>-</u>	<u>19,467,173</u>	<u>20,339,359</u>
Fundraising				
Mission Advancement	<u>3,115,043</u>	<u>-</u>	<u>3,115,043</u>	<u>4,756,852</u>
Total fundraising	<u>3,115,043</u>	<u>-</u>	<u>3,115,043</u>	<u>4,756,852</u>
Total operating expenses	<u>102,196,326</u>	<u>-</u>	<u>102,196,326</u>	<u>114,979,362</u>
Net operating revenue and support less operating expenses	9,507,373	(4,257,341)	5,250,032	(1,557,942)
Non-operating transactions				
Endowment contributions	511,301	7,831,803	8,343,104	9,291,173
Net investment return on endowment and other deferred gifts	2,648,251	24,666,543	27,314,794	22,501,476
Change in fair value of beneficial interest in outside trusts and split interest agreements (Note 3)	-	253,223	253,223	450,865
Change in value of split interest agreements	-	(2,595,508)	(2,595,508)	(2,260,069)
Total non-operating transactions	<u>3,159,552</u>	<u>30,156,061</u>	<u>33,315,613</u>	<u>29,983,445</u>
Changes in net assets	12,666,925	25,898,720	38,565,645	28,425,503
Net assets at beginning of year	<u>110,553,386</u>	<u>376,148,851</u>	<u>486,702,237</u>	<u>458,276,734</u>
Net assets at end of year	<u>\$ 123,220,311</u>	<u>\$ 402,047,571</u>	<u>\$ 525,267,882</u>	<u>\$ 486,702,237</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributed support			
Synod mission support (Note 14)	\$ 42,589,108	\$ -	\$ 42,589,108
World Hunger Appeal	-	19,369,403	19,369,403
Global Church sponsorship	2,874,449	40,077	2,914,526
Disaster response	-	8,098,067	8,098,067
Deferred gift contributions	-	1,580,254	1,580,254
Endowment distributions	3,494,278	4,508,147	8,002,425
Mission Investment Fund	1,580,641	50,000	1,630,641
Bequests, trusts, and residuums	3,536,876	2,913,685	6,450,561
Grants—corporate and other	-	3,634,029	3,634,029
Other gifts	3,934,679	3,665,910	7,600,589
Total contributed revenue	<u>58,010,031</u>	<u>43,859,572</u>	<u>101,869,603</u>
Other revenue			
Net investment return on operating investments	5,285,055	134,922	5,419,977
SPPO offices' revenue	457,004	-	457,004
Services and other revenue	3,832,183	10,596	3,842,779
Lease income	1,804,459	-	1,804,459
Miscellaneous income	-	27,598	27,598
Total other revenue	<u>11,378,701</u>	<u>173,116</u>	<u>11,551,817</u>
Net assets released from restrictions			
Satisfaction of restrictions (Note 15)	45,837,270	(45,837,270)	-
Income expended from investments held in perpetuity	4,361,419	(4,361,419)	-
Net assets released from restrictions	<u>50,198,689</u>	<u>(50,198,689)</u>	<u>-</u>
Total operating revenue and support	<u>119,587,421</u>	<u>(6,166,001)</u>	<u>113,421,420</u>
Operating expenses			
Program services			
Domestic Mission	45,139,092	-	45,139,092
Global Mission	32,026,402	-	32,026,402
Mission Advancement	6,040,629	-	6,040,629
Church periodicals	2,127,859	-	2,127,859
Office of the Presiding Bishop	2,070,109	-	2,070,109
SPPO offices' expense	479,060	-	479,060
Post-retirement health care benefits (Note 10)	2,000,000	-	2,000,000
Total program services	<u>89,883,151</u>	<u>-</u>	<u>89,883,151</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2020

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating expenses (Continued)			
Management and general			
Office of the Presiding Bishop	\$ 2,576,565	\$ -	\$ 2,576,565
Office of the Treasurer	9,901,059	-	9,901,059
Office of the Secretary	5,819,638	-	5,819,638
Mission Advancement	2,042,097	-	2,042,097
Total management and general	<u>20,339,359</u>	<u>-</u>	<u>20,339,359</u>
Fundraising			
Mission Advancement	<u>4,756,852</u>	<u>-</u>	<u>4,756,852</u>
Total fundraising	<u>4,756,852</u>	<u>-</u>	<u>4,756,852</u>
Total operating expenses	<u>114,979,362</u>	<u>-</u>	<u>114,979,362</u>
Net operating revenue and support less operating expenses	4,608,059	(6,166,001)	(1,557,942)
Non-operating transactions			
Endowment contributions	1,253,759	8,037,414	9,291,173
Net investment return on endowment and other deferred gifts	3,045,221	19,456,255	22,501,476
Change in fair value of beneficial interest in outside trusts and split interest agreements (Note 3)	-	450,865	450,865
Change in value of split interest agreements	-	(2,260,069)	(2,260,069)
Total non-operating transactions	<u>4,298,980</u>	<u>25,684,465</u>	<u>29,983,445</u>
Changes in net assets	8,907,039	19,518,464	28,425,503
Net assets at beginning of year	<u>101,646,347</u>	<u>356,630,387</u>	<u>458,276,734</u>
Net assets at end of year	<u>\$ 110,553,386</u>	<u>\$ 376,148,851</u>	<u>\$ 486,702,237</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF CASH FLOWS
Years ended January 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 38,565,645	\$ 28,425,503
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,449,427	2,488,034
Change in fair value of investments	(34,248,083)	(34,795,216)
Gain on beneficial interest in perpetual trusts	(549,066)	(2,916,777)
Change due to deferred gift transition	(743,287)	-
Changes in		
Accounts receivable	(562,753)	639,593
Interest receivable	18,128	(34,139)
Prepaid expenses and other assets	680,021	(54,859)
Accounts payable	(3,415,626)	(1,559,679)
Deferred revenue	(85,857)	51,227
Due to/from related organizations	(9,512,861)	3,514,334
Accrued liabilities	(657,819)	900,737
Net cash used in operating activities	<u>(8,062,131)</u>	<u>(3,341,242)</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(753,300)	(1,527,664)
Payments received on mortgages and notes	49,117	37,497
Issuance of overseas Church construction loans, net of payments	(91,975)	(194,698)
Purchase of investments	(7,564,549)	(17,934,615)
Proceeds from sale of investments	<u>12,610,677</u>	<u>16,051,926</u>
Net cash provided by (used in) investing activities	4,249,970	(3,567,554)
Cash flows from financing activities		
Annuities payable	93,743	(870,042)
Net proceeds from notes payable	<u>7,506,200</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>7,599,943</u>	<u>(870,042)</u>
Increase (decrease) in cash and cash equivalents	3,787,782	(7,778,838)
Cash and cash equivalents at beginning of year	<u>42,183,041</u>	<u>49,961,879</u>
Cash and cash equivalents at end of year	<u>\$ 45,970,823</u>	<u>\$ 42,183,041</u>
Noncash transactions		
Transfer of assets related to charitable gift annuities to the ELCA Foundation	3,283,525	8,349,633
Transfer of obligations related to charitable gift annuities to the ELCA Foundation	3,283,525	8,349,633

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

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, Women of the Evangelical Lutheran Church in America, ELCA Federal Credit Union (Credit Union), congregations, synods, 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 (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 years ended January 31, 2021 and 2020. 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

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 Irrevocable, Split-Interest Agreements, Held by ELCA Foundation: The Church holds a beneficial remainder interest in various charitable gift annuities and charitable remainder trusts, commonly referred to as split-interest agreements. These agreements are administered by the ELCA Foundation on behalf of the Church and other beneficiaries. The Church records the fair value of the beneficial interest as a receivable and as revenue when documentation of the beneficial interest is received.

Beneficial Interest in Perpetual Trusts Administrated by Outside Organizations: 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 equity mutual funds, corporate and government obligations, term deposit accounts 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 net of investment fees 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

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

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

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.

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 and Expenses: 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.

Contributed Support: 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 met.

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.

Services and Other Revenue: Revenues from separately incorporated ministries and unincorporated self-supporting ministries for services provided by the Church (e.g., human resources, information technology, financial services, building management) relate to agreements to provide such services negotiated on an annual basis. These revenues are recognized throughout the year as these services are performed. Subscription revenue relates to publications and is recognized as the related publications are distributed. Registration revenue relates to events and is recognized as the events are held. Amounts paid for events that have not yet been held at January 31 are included in deferred revenues.

Income Tax: The Church has received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no significant unrelated business income activities during the years ended January 31, 2021 and 2020.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

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

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, 2021 and 2020.

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, 2016. 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. Actual results could differ from estimates.

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

Adoption of New Accounting Standard: During the year ended January 31, 2021, the Church adopted Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* issued by the Financial Accounting Standards Board (FASB). This update is intended to improve the effectiveness of disclosures as it relates to fair value measurements.

Upcoming Accounting Guidance: In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. This ASU is effective for the Church's fiscal year beginning February 1, 2022. The Church has not yet implemented this ASU and is in the process of assessing the effect on the Church's financial statements.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2021 and 2020, were \$6,963,586 and \$6,407,324, respectively, relating to synods' contributions for mission support, world hunger appeal, global church sponsorship and other programs that have been collected subsequent to year end. Interest is not normally charged on receivables. Management reviews all of the receivables on an individual basis for collectability and determines whether an allowance is necessary. No allowance for bad debts has been established because management considers all accounts receivable to be collectible.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Equity mutual fund	\$ 12,392,265	\$ 12,854,504
Fixed income securities		
U.S. government obligations	15,124,616	16,483,849
Corporate bonds	25,415,856	23,633,609
Term investments	874,303	2,448,563
Equity securities and physical real estate held at cost	1,836,748	1,836,748
Investments held in Portico pools	468,435,637	428,876,404
Cash and cash equivalents	<u>1,009,922</u>	<u>1,008,723</u>
	<u>\$ 525,089,347</u>	<u>\$ 487,142,400</u>

The following schedule summarizes the investment return reported in the statement of activities for the years ended January 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Realized investment gains, net	\$ 7,451,510	\$ 10,996,015
Unrealized investment gains	26,796,573	23,799,201
Dividend and interest income	<u>1,475,337</u>	<u>1,128,662</u>
Investment return, net	<u>\$ 35,723,420</u>	<u>\$ 35,923,878</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 \$2,572 and \$10,000 respectively, on investments with donor restrictions for the years ended January 31, 2021 and 2020 with offsetting increases in certain liabilities reported.

Also, unrealized gains of approximately \$18,298 and \$249,000, on these investments with offsetting changes in certain liabilities were reported for the years ended January 31, 2021 and 2020.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

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:

Equity mutual fund: The fair values of equity mutual fund investments reflect quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Fixed income securities: Fair values of U.S. Government securities reflect closing prices reported in the active markets in which the securities are traded (Level 1 inputs). Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs – market approach).

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 the Church: 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 THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

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, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 12,392,265	\$ -	\$ -	\$ 12,392,265
Fixed income securities				
U.S. government obligations	15,124,616	-	-	15,124,616
Corporate bonds	-	25,415,856	-	25,415,856
Term investments	-	874,303	-	874,303
Cash and cash equivalents	1,009,886	-	-	1,009,922
Investments held at fair value	<u>\$ 28,526,767</u>	<u>\$ 26,290,159</u>	<u>\$ -</u>	<u>54,816,962</u>
Investments at net asset value per share				<u>468,435,637</u>
Total investments at fair value				523,252,599
Equity securities and physical real estate held at cost*				1,836,748
Total investments				<u>\$ 525,089,347</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,081,297</u>	<u>\$ 20,081,297</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,041,051</u>	<u>\$ 19,041,051</u>
	2020			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 12,854,504	\$ -	\$ -	\$ 12,854,504
Fixed income securities				
U.S. government obligations	16,483,849	-	-	16,483,849
Corporate bonds	-	23,633,609	-	23,633,609
Term investments	-	2,448,563	-	2,448,563
Cash and cash equivalents	1,008,723	-	-	1,008,723
Investments held at fair value	<u>\$ 30,347,076</u>	<u>\$ 26,082,172</u>	<u>\$ -</u>	<u>56,429,248</u>
Investments at net assets value per share				<u>428,876,404</u>
Total Investments at fair value				485,305,652
Equity securities and physical real estate held at cost*				1,836,748
Total investments				<u>\$ 487,142,400</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,817,846</u>	<u>\$ 19,817,846</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,755,436</u>	<u>\$ 18,755,436</u>

* Physical real estate investments, comprised of land and buildings held by the Church at cost, was \$640,820 at both January 31, 2021 and 2020, respectively was not included in the fair value tables above. Additionally, equity securities, comprised of closely held stock held by the Church at cost, of \$1,195,928 at both January 31, 2021 and 2020 was not included in the fair value tables above.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below rolls forward balances for Level 3 beneficial interest in perpetual trusts from February 1, 2019, through January 31, 2021:

Balance as of February 1, 2019	\$ 19,357,188
Unrealized gains	
Funds held for others	9,793
Outside trusts held in perpetuity	450,865
Balance as of January 31, 2020	19,817,846
Unrealized gains	
Funds held for others	10,228
Outside trusts held in perpetuity	253,223
Balance as of January 31, 2021	\$ 20,081,297

The table below rolls forward balances for Level 3 beneficial interest in split-interest agreements from February 1, 2019, through January 31, 2021:

Balance as of February 1, 2019	\$ 16,299,317
Increase in beneficial interest resulting from transfer of trust assets and liabilities	2,456,119
Balance as of January 31, 2020	18,755,436
Increase in beneficial interest resulting from transfer of trust assets and liabilities	285,615
Balance as of January 31, 2021	\$ 19,041,051

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 Church 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The target asset allocation ranges are 22% to 32% in U.S. equity securities, 25% to 35% in Non-U.S. equity securities, 4% to 14% in investment grade fixed income securities, 0.0% to 10.0% in high yield fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in hedge funds, 0% to 8% in infrastructure, 0% to 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 the years ended December 31, 2020 and 2019 was 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 2021 is 4%.

NOTE 4 - MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2021 are summarized as follows:

	<u>Interest Rate</u>	<u>2021</u>	<u>2020</u>
Partnership support loans to congregations	0%	\$ 250,952	\$ 300,069

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, 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, 2021 and 2020. The Church does not believe that an allowance is necessary for these mortgage notes. If a Congregation decides to leave and is not able to pay the full amount received, the Church provides the opportunity for them to repay in installments.

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS

Overseas church construction loans bear interest at rates ranging from 2% to 5% and mature at various dates through October 15, 2029. The balances of overseas church construction loans outstanding as of January 31, 2021 and 2020 is \$592,210 and \$500,235, respectively.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS (Continued)

Concentration of Credit Risk: The loan portfolio consists of one segment and one class. The Church'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 Church. At January 31, 2021 and 2020, there was no amount past due for a period greater than one year. The following is a summary of notes by region for the years ended January 31:

	<u>2021</u>	<u>2020</u>
Africa	\$ 249,232	\$ 112,282
Latin America/Caribbean	<u>342,978</u>	<u>387,953</u>
Total overseas construction loans	<u>\$ 592,210</u>	<u>\$ 500,235</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, 2021 and 2020 is presented below:

	<u>2021</u>	<u>2020</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	51,844,593	51,594,286
Furniture and equipment	14,538,070	12,942,598
Work in progress	<u>135,420</u>	<u>1,227,899</u>
	66,651,083	65,897,783
Less accumulated depreciation	<u>(45,604,790)</u>	<u>(43,155,363)</u>
Totals	<u>\$ 21,046,293</u>	<u>\$ 22,742,420</u>

Depreciation expense for the years ended January 31, 2021 and 2020 was \$2,449,427 and \$2,488,034, respectively.

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. 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.

(Continued)

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NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

Pooled Income Funds and Life Income Contracts: Donors contribute assets to an investment pool and are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor or designated beneficiary is paid the actual ordinary income earned on the donor's units. Realized gains or losses are added to each unit's principal. Upon the donor's death, the value of the units is released to the Church or a related organization to be used as specified by the donor.

The contributed assets are recorded at fair value. A contribution is recorded at the fair value of the assets discounted for the estimated time period until the donor's death. The appropriate risk adjusted rate at the date of the contribution is used for the discount rate, and the 2012 IAR Tables are used to calculate life expectancies. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future revenue.

A summary of recorded amounts related to these arrangements as of January 31, 2021 and 2020, is as follows:

	2021		2020	
	Deferred Revenue	Annuities Payable	Deferred Revenue	Annuities Payable
Charitable remainder annuity trusts	\$ -	\$ -	\$ -	\$ 386,161
Charitable remainder unitrusts	-	1,578,094	-	2,218,036
Charitable gift annuities	-	4,560,027	-	6,723,705
Pooled income funds	457,382		470,335	
Life income funds	52,123	-	53,304	-
Life income estates	98,676	-	98,676	-
	<u>\$ 608,181</u>	<u>\$ 6,138,120</u>	<u>\$ 622,315</u>	<u>\$ 9,327,902</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.

NOTE 8 - RELATED-PARTY TRANSACTIONS

The ELCA Churchwide Organization is the beneficiary of endowment, trust and annuity accounts with a fair value of \$488,377,752 and \$450,754,228 at January 31, 2021 and 2020. These are managed by the ELCA Foundation.

The Church had a net receivable due from related organizations in the amount of \$4,884,998, at January 31, 2021, and a net payable due to related organizations in the amount of \$1,344,338 at January 31, 2020. The net receivable/payable represents monies owed to the ELCA Foundation, related to the transfer to the Charitable Gifts Annuities, offset by 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)

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NOTE 9 - DEFINED-CONTRIBUTION PENSION PLAN

Substantially all active employees of the Church are enrolled in the noncontributory defined-contribution pension plan administered by Portico Benefit Services. The employer contributions to the plan for the years ended January 31, 2021 and 2020 were \$3,685,409 and \$3,688,820, respectively. All contributions to the plan are funded on a current basis.

NOTE 10 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS

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 6,400 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 include the trust assets of approximately \$97,499,000 and \$103,493,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$90,929,000 and \$92,258,000 at December 31, 2020 and 2019, respectively.

The Church contributed \$917,718 and \$2,000,000 during the fiscal years ended January 31, 2021 and 2020 toward the funding of this post-retirement health care benefit. No additional funding in the future is expected at this time based on current projections.

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 was approximately \$338,323 and \$84,925 for the years ended January 31, 2021 and 2020, respectively.

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

	Office Facilities	Office Equipment	Total
2021	\$ 253,398	\$ 84,925	\$ 338,323
2022	253,398	109,189	362,587
2023	253,398	109,189	362,587
2024	-	108,796	108,796
2025	-	72,792	72,792
Total	<u>\$ 760,194</u>	<u>\$ 484,891</u>	<u>\$ 1,245,085</u>

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NOTE 12 - COLLECTIONS

The Church's art collections, which were acquired through purchases and contributions, are not recognized as assets on the statement of financial position. The collections represent a wide variety of art mediums: collagraph, etching, intaglio, dry-point engraving, katazome, linocut, oil, serigraph/silk-screen, stained glass, watercolor, and woodcut. The art is intended to share the Gospel visually with many of the pieces having biblical references. Purchases of collection items, if any, are recorded as decreases in 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, 2021 and 2020, 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, 2021 and 2020, or during the years then ended.

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 ELCA. 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>2021</u>	<u>2020</u>
Region 1 – Northwest	\$ 2,061,499	\$ 2,118,171
Region 2 – Southwest	3,630,572	3,813,365
Region 3 – Northwest Midwest	6,788,186	6,865,431
Region 4 – Southwest Midwest	3,833,428	4,052,289
Region 5 – Northeast Midwest	8,510,086	8,764,660
Region 6 – Southeast Midwest	3,678,531	3,792,089
Region 7 – Northeast	3,899,002	4,258,011
Region 8 – East	3,733,388	4,085,462
Region 9 – Southeast	<u>4,602,769</u>	<u>4,839,630</u>
Total synod mission support	<u>\$ 40,737,461</u>	<u>\$ 42,589,108</u>

(Continued)

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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 years ended January 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of program restrictions:		
World Hunger	\$ 20,111,463	\$ 19,272,684
Disaster Relief	12,083,169	15,448,291
Domestic Mission	1,158,796	939,589
Global Mission	2,688,975	2,077,839
Office of the Presiding Bishop	75,422	524,499
Other programs	<u>9,365,120</u>	<u>7,574,368</u>
 Satisfaction of program restrictions	 45,482,945	 45,837,270
 Income expended from investments held in perpetuity	 <u>3,883,044</u>	 <u>4,361,419</u>
 Total releases from restriction	 <u><u>\$ 49,365,989</u></u>	 <u><u>\$ 50,198,689</u></u>

NOTE 16 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
General	\$ 71,514,045	\$ 60,310,545
Funds functioning as endowment (Note 18)	30,659,973	27,500,421
Net investment in property, furniture, equipment and building (Note 6)	<u>21,046,293</u>	<u>22,742,420</u>
	<u><u>\$ 123,220,311</u></u>	<u><u>\$ 110,553,386</u></u>

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NOTE 17 - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2021</u>	<u>2020</u>
Program-restricted:		
Disaster Relief	\$ 21,958,433	\$ 25,545,716
World Hunger	10,107,048	7,226,737
Office of the Presiding Bishop	898,161	1,043,924
Domestic Mission	7,080,640	9,190,387
Global Mission	9,285,564	6,025,662
Mission Advancement	2,848,777	3,930,695
Other Programs	2,152,990	2,297,973
	<u>54,331,613</u>	<u>55,261,094</u>
Time-restricted, expendable in subsequent years	<u>137,763,816</u>	<u>116,739,741</u>
	192,095,429	172,000,835
Investments in perpetuity, the income from which is expendable	197,797,817	192,379,814
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	9,849,952	9,619,403
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>2,304,373</u>	<u>2,148,799</u>
	<u>209,952,142</u>	<u>204,148,016</u>
Total net assets with donor restriction	<u>\$ 402,047,571</u>	<u>\$ 376,148,851</u>

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.

(Continued)

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NOTE 18 - ENDOWMENT FUNDS (Continued)

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, 2021 and 2020. At January 31, 2021 and 2020, \$30,659,973 and \$27,500,421 was reported in net assets without donor restrictions. During the year, \$4,114,907 and \$4,638,625 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 years ended January 31, 2021 and 2020 were 4%, respectively, 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.

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, 2021, 28 of 1090 accounts had accumulated undistributed earnings. At January 31, 2020, 28 of 1,075 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)

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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, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds*	\$ -	\$ 338,317,336	\$ 338,317,336
Funds functioning as endowment	30,659,973	-	30,659,973
	<u>\$ 30,659,973</u>	<u>\$ 338,317,336</u>	<u>\$ 368,977,309</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds*	\$ -	\$ 306,915,742	\$ 306,915,742
Funds functioning as endowment	27,500,421	-	27,500,421
	<u>\$ 27,500,421</u>	<u>\$ 306,915,742</u>	<u>\$ 334,416,163</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.

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NOTE 18 - ENDOWMENT FUNDS (Continued)

	<u>Without Donor</u>	<u>With Donor Restricted</u>	<u>Total</u>
Net assets, February 1, 2019	\$ 24,671,085	\$ 281,380,016	\$ 306,051,101
Net investment return	431,230	24,496,285	24,927,515
New gifts	1,253,759	8,037,414	9,291,173
Net assets released from restriction	4,638,625	(4,638,625)	-
Other changes			
Endowment distribution of income	<u>(3,494,278)</u>	<u>(4,508,147)</u>	<u>(8,002,425)</u>
Total other changes	<u>(3,494,278)</u>	<u>(4,508,147)</u>	<u>(8,002,425)</u>
Net assets, January 31, 2020	<u>27,500,421</u>	<u>304,766,943</u>	<u>332,267,364</u>
Cash surrender value of life insurance	<u>-</u>	<u>2,148,799</u>	<u>2,148,799</u>
Net assets, January 31, 2020	27,500,421	306,915,742	334,416,163
Net investment return	1,985,760	29,396,677	31,382,437
New gifts	511,301	7,831,803	8,343,104
Net assets released from restriction	4,114,907	(4,114,907)	-
Other changes			
Endowment distribution of income	<u>(3,452,416)</u>	<u>(4,016,352)</u>	<u>(7,468,768)</u>
Total other changes	<u>(3,452,416)</u>	<u>(4,016,352)</u>	<u>(7,468,768)</u>
Net assets, January 31, 2021	<u>30,659,973</u>	<u>336,012,963</u>	<u>366,672,936</u>
Cash surrender value of life insurance	<u>-</u>	<u>2,304,373</u>	<u>2,304,373</u>
Net assets, January 31, 2021	<u>\$ 30,659,973</u>	<u>\$ 338,317,336</u>	<u>\$ 368,977,309</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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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 statements 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 years ended January 31, 2021 and 2020.

	2021			
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 42,460,521	\$ 615,834	\$ 2,210	\$ 43,078,565
Compensation and benefits	25,643,909	11,747,866	2,784,218	40,175,993
Travel	647,368	39,477	37,331	724,176
Events and conferences	1,063,758	125,712	9,921	1,199,391
Office operations	5,023,343	3,037,121	73,558	8,134,022
Depreciation	1,054,416	1,162,832	232,179	2,449,427
Occupancy	964,216	1,063,358	220,540	2,248,114
Transfers to restricted and designated funds	(129,561)	46,105	83,456	-
Miscellaneous and expense recovery	2,886,140	1,628,868	(328,370)	4,186,638
	<u>\$ 79,614,110</u>	<u>\$ 19,467,173</u>	<u>\$ 3,115,043</u>	<u>\$ 102,196,326</u>
	2020			
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 49,283,620	\$ 20,346	\$ -	\$ 49,303,966
Compensation and benefits	27,526,019	9,508,639	2,534,824	39,569,482
Travel	3,149,955	474,537	318,137	3,942,629
Events and conferences	1,722,354	1,571,323	268,434	3,562,111
Office operations	6,321,462	3,054,562	133,132	9,509,156
Depreciation	1,073,471	1,171,514	243,049	2,488,034
Occupancy	1,119,610	1,234,544	256,126	2,610,280
Transfers to restricted and designated funds	(1,966,186)	673,450	1,292,736	-
Miscellaneous and expense recovery	1,652,846	2,630,444	(289,586)	3,993,704
	<u>\$ 89,883,151</u>	<u>\$ 20,339,359</u>	<u>\$ 4,756,852</u>	<u>\$ 114,979,362</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.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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January 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 45,970,823	\$ 42,183,041
Operating Investments	<u>52,932,772</u>	<u>52,829,372</u>
	<u>\$ 98,903,595</u>	<u>\$ 95,012,413</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. The Church had \$30,659,973 and \$27,500,421 in board designated endowments without donor restriction at January 31, 2021 and 2020. While the Church does not have any intention of liquidating the board designated endowments, and they are not currently available for general expenditure, these funds could be made available with Church Council approval.

NOTE 22 - PAYCHECK PROTECTION PROGRAM LOAN (NOTES PAYABLE)

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, in April, 2020, the Church received a Paycheck Protection Program (PPP) loan in the principal amount of \$7,506,200 from the United States Small Business Administration (SBA). The PPP loan has a stated interest rate of 1% per annum and requires equal monthly payments of principal commencing August 16, 2021 through the contractual maturity date of April 16, 2022.

Under the terms of the Paycheck Protection Program, a PPP loan provides for conditional forgiveness if the Church utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. Although the Church believes it is reasonably assured the PPP loan will be forgiven, ultimate forgiveness is conditioned upon the SBA concurring with management's good-faith assessment that the current economic uncertainty made the loan request necessary to support ongoing operations and the loan proceeds were used for admissible expenses. If the Church is later determined to have violated the provisions of the Payroll Protection Program, the Church may be required to repay the PPP loan in its entirety and/or be subject to additional penalties.

The Church has elected to account for its PPP loan in accordance with ASC 470 and ASC 405. Under ASC 470 and ASC 405, the PPP loan proceeds are initially recorded as a financial liability and subsequently recognized as revenue upon repayment of the loan balance or upon legal release. At January 31, 2021, the Church has not repaid the loan balance and there has been no legal release and, therefore, the loan proceeds have been recorded as a financial liability on the statement of financial position. The Church expects to meet these conditions and apply for forgiveness during the year ending January 31, 2022.

On July 27, 2021, the Church received notification that the United States Small Business Administration had reviewed the Church's application for forgiveness of the PPP loan and forgiven the loan and related accrued interest in full. The income from this loan forgiveness will be recognized in the year ended January 31, 2022.

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NOTE 22 - PAYCHECK PROTECTION PROGRAM LOAN (NOTES PAYABLE) (Continued)

A novel strain of coronavirus has surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Church could be materially adversely affected as the pandemic continues in 2021. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

NOTE 23 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2021. Management has performed their analysis through December 20, 2021, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION**

FINANCIAL STATEMENTS
January 31, 2022 and 2021



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Church Council
Evangelical Lutheran Church in America
Churchwide Organization

Opinion

We have audited the financial statements of the Churchwide Organization of the Evangelical Lutheran Church in America (the Church), which comprise the statements of financial position as of January 31, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as of January 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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, 2022 and 2021, or the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Crowe LLP

Chicago, Illinois
July 29, 2022

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
January 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 66,552,968	\$ 45,970,823
Accounts receivable (Note 2)	8,303,215	8,399,360
Interest receivable	135,074	202,652
Due from related organizations (Note 8)	9,034,441	7,627,882
Investments (Note 3)	550,905,665	525,089,347
Prepaid expenses and other assets	7,700,919	8,164,207
Mortgages and notes (Note 4)	265,110	250,952
Overseas church construction loans (Note 5)	392,692	592,210
Property, furniture, and equipment, net (Note 6)	18,933,114	21,046,293
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	18,671,091	19,041,051
Beneficial interest in perpetual trusts (Note 3)	21,700,986	20,081,297
	<u>702,595,275</u>	<u>656,466,074</u>
Total assets	<u>\$ 702,595,275</u>	<u>\$ 656,466,074</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,190,686	\$ 1,855,407
Deferred revenue	3,599,141	778,027
Due to related organizations (Note 8)	2,239,563	2,742,884
Accrued liabilities	7,540,402	3,691,963
Annuities payable (Note 7)	3,189,371	6,138,120
Note payable (Note 22)	-	7,506,200
Funds held for others (Note 1)	6,320,083	7,038,297
Funds held for others in perpetuity (Note 1)	107,977,035	101,447,294
Total liabilities	<u>133,056,281</u>	<u>131,198,192</u>
Net assets		
Without donor restrictions (Note 16)	143,861,022	123,220,311
With donor restrictions (Note 17)	425,677,972	402,047,571
Total net assets	<u>569,538,994</u>	<u>525,267,882</u>
Total liabilities and net assets	<u>\$ 702,595,275</u>	<u>\$ 656,466,074</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2022 and 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 14)	\$ 40,613,722	\$ -	\$ 40,613,722	\$ 40,737,461
World Hunger Appeal	-	20,854,710	20,854,710	19,286,542
Global Church sponsorship	1,997,064	61,648	2,058,712	2,119,407
Disaster response	-	14,371,460	14,371,460	8,348,438
Deferred gift contributions	-	-	-	35,486
Endowment distributions	4,331,336	3,536,350	7,867,686	7,468,768
Mission Investment Fund	1,625,000	-	1,625,000	1,750,000
Bequests, trusts, and residuums	4,974,101	1,344,849	6,318,950	10,055,275
Grants—corporate and other	67,767	136,771	204,538	1,753,561
Other gifts	5,923,068	3,099,324	9,022,392	7,693,819
Total contributed revenue	59,532,058	43,405,112	102,937,170	99,248,757
Other revenue				
Net investment return on operating investments	1,911,663	3,124	1,914,787	939,858
SPPO offices' revenue	484,762	-	484,762	288,892
Services and other revenue	5,294,615	182,269	5,476,884	4,798,714
Lease income	1,821,611	-	1,821,611	1,843,939
Gain on extinguishment of debt, net	5,696,814	-	5,696,814	-
Miscellaneous income	-	-	-	326,198
Total other revenue	15,209,465	185,393	15,394,858	8,197,601
Net assets released from restrictions				
Satisfaction of restrictions (Note 15)	40,929,196	(40,929,196)	-	-
Income expended from investments held in perpetuity	3,766,598	(3,766,598)	-	-
Net assets released from restrictions	44,695,794	(44,695,794)	-	-
Total operating revenue and support	119,437,317	(1,105,289)	118,332,028	107,446,358
Operating expenses				
Program services				
Christian Community Leadership	24,595,086	-	24,595,086	24,385,399
Service and Justice	41,057,578	-	41,057,578	43,831,758
OB, Development	5,735,965	-	5,735,965	6,385,243
Church periodicals	1,066,655	-	1,066,655	1,809,747
Office of the Presiding Bishop	948,765	-	948,765	1,262,938
Innovation	1,432,969	-	1,432,969	1,118,852
SPPO offices' expense	453,945	-	453,945	223,604
Post-retirement health care benefits (Note 10)	-	-	-	917,718
Total program services	75,290,963	-	75,290,963	79,935,259

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2022 and 2021

	2022			2021 <u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 4,169,284	\$ -	\$ 4,169,284	\$ 3,537,914
Office of the Treasurer	9,982,816	-	9,982,816	9,203,042
Office of the Secretary	6,447,416	-	6,447,416	4,205,989
OB, Development	1,807,569	-	1,807,569	2,199,079
Total management and general	<u>22,407,085</u>	<u>-</u>	<u>22,407,085</u>	<u>19,146,024</u>
Fundraising				
Development	<u>3,315,680</u>	<u>-</u>	<u>3,315,680</u>	<u>3,115,043</u>
Total fundraising	<u>3,315,680</u>	<u>-</u>	<u>3,315,680</u>	<u>3,115,043</u>
Total operating expenses	<u>101,013,728</u>	<u>-</u>	<u>101,013,728</u>	<u>102,196,326</u>
Net operating revenue and support less operating expenses	18,423,589	(1,105,289)	17,318,300	5,250,032
Non-operating transactions				
Endowment contributions	740	5,941,569	5,942,309	8,343,104
Net investment return on endowment and other deferred gifts	2,216,382	17,673,207	19,889,589	27,314,794
Change in value of beneficial interests and split interest agreements	-	1,120,914	1,120,914	(2,342,285)
Total non-operating transactions	<u>2,217,122</u>	<u>24,735,690</u>	<u>26,952,812</u>	<u>33,315,613</u>
Changes in net assets	20,640,711	23,630,401	44,271,112	38,565,645
Net assets at beginning of year	<u>123,220,311</u>	<u>402,047,571</u>	<u>525,267,882</u>	<u>486,702,237</u>
Net assets at end of year	<u>\$ 143,861,022</u>	<u>\$ 425,677,972</u>	<u>\$ 569,538,994</u>	<u>\$ 525,267,882</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributed support			
Synod mission support (Note 14)	\$ 40,737,461	\$ -	\$ 40,737,461
World Hunger Appeal	-	19,286,542	19,286,542
Global Church sponsorship	2,119,407	-	2,119,407
Disaster response	-	8,348,438	8,348,438
Deferred gift contributions	-	35,486	35,486
Endowment distributions	3,452,416	4,016,352	7,468,768
Mission Investment Fund	1,500,000	250,000	1,750,000
Bequests, trusts, and residuums	2,490,506	7,564,769	10,055,275
Grants—corporate and other	7,000	1,746,561	1,753,561
Other gifts	4,392,908	3,300,911	7,693,819
Total contributed revenue	<u>54,699,698</u>	<u>44,549,059</u>	<u>99,248,757</u>
Other revenue			
Net investment return on operating investments	870,959	68,899	939,858
SPPO offices' revenue	288,892	-	288,892
Services and other revenue	4,634,222	164,492	4,798,714
Lease income	1,843,939	-	1,843,939
Miscellaneous income	-	326,198	326,198
Total other revenue	<u>7,638,012</u>	<u>559,589</u>	<u>8,197,601</u>
Net assets released from restrictions			
Satisfaction of restrictions (Note 15)	45,482,945	(45,482,945)	-
Income expended from investments held in perpetuity	3,883,044	(3,883,044)	-
Net assets released from restrictions	<u>49,365,989</u>	<u>(49,365,989)</u>	<u>-</u>
Total operating revenue and support	<u>111,703,699</u>	<u>(4,257,341)</u>	<u>107,446,358</u>
Operating expenses			
Program services			
Christian Community Leadership	24,385,399	-	24,385,399
Service and Justice	43,831,758	-	43,831,758
OB, Development	6,385,243	-	6,385,243
Church periodicals	1,809,747	-	1,809,747
Office of the Presiding Bishop	1,262,938	-	1,262,938
Innovation	1,118,852	-	1,118,852
SPPO offices' expense	223,604	-	223,604
Post-retirement health care benefits (Note 10)	917,718	-	917,718
Total program services	<u>79,935,259</u>	<u>-</u>	<u>79,935,259</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating expenses (Continued)			
Management and general			
Office of the Presiding Bishop	\$ 3,537,914	\$ -	\$ 3,537,914
Office of the Treasurer	9,203,042	-	9,203,042
Office of the Secretary	4,205,989	-	4,205,989
OB, Development	2,199,079	-	2,199,079
Total management and general	<u>19,146,024</u>	<u>-</u>	<u>19,146,024</u>
Fundraising			
Mission Advancement	<u>3,115,043</u>	<u>-</u>	<u>3,115,043</u>
Total fundraising	<u>3,115,043</u>	<u>-</u>	<u>3,115,043</u>
Total operating expenses	<u>102,196,326</u>	<u>-</u>	<u>102,196,326</u>
Net operating revenue and support less operating expenses	9,507,373	(4,257,341)	5,250,032
Non-operating transactions			
Endowment contributions	511,301	7,831,803	8,343,104
Net investment return on endowment and other deferred gifts	2,648,251	24,666,543	27,314,794
Change in value of beneficial interests and split interest agreements	-	(2,342,285)	(2,342,285)
Total non-operating transactions	<u>3,159,552</u>	<u>30,156,061</u>	<u>33,315,613</u>
Changes in net assets	12,666,925	25,898,720	38,565,645
Net assets at beginning of year	<u>110,553,386</u>	<u>376,148,851</u>	<u>486,702,237</u>
Net assets at end of year	<u>\$ 123,220,311</u>	<u>\$ 402,047,571</u>	<u>\$ 525,267,882</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF CASH FLOWS
Years ended January 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 44,271,112	\$ 38,565,645
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,472,239	2,449,427
Change in fair value of investments	(27,757,275)	(34,248,083)
Gain on beneficial interest in perpetual trusts	(1,249,729)	(549,066)
Change in value of deferred gifts	(2,293,409)	(743,287)
Gain on extinguishment of debt	(7,506,200)	-
Changes in		
Accounts receivable	96,145	(562,753)
Interest receivable	67,578	18,128
Prepaid expenses and other assets	463,288	680,021
Accounts payable	335,279	(3,415,626)
Deferred revenue	2,821,114	(85,857)
Due to/from related organizations	(1,909,880)	(9,512,861)
Accrued liabilities	3,848,439	(657,819)
Net cash provided by (used in) operating activities	<u>13,658,701</u>	<u>(8,062,131)</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(359,060)	(753,300)
Net change on mortgages, notes and construction loans	185,360	(42,858)
Purchase of investments	(1,592,204)	(7,564,549)
Proceeds from sale of investments	9,344,689	12,610,677
Net cash provided by investing activities	<u>7,578,785</u>	<u>4,249,970</u>
Cash flows from financing activities		
Annuities payable	(655,340)	93,743
Net proceeds from notes payable	-	7,506,200
Net cash (used in) provided by financing activities	<u>(655,340)</u>	<u>7,599,943</u>
Increase in cash and cash equivalents	20,582,145	3,787,782
Cash and cash equivalents at beginning of year	<u>45,970,823</u>	<u>42,183,041</u>
Cash and cash equivalents at end of year	<u><u>\$ 66,552,968</u></u>	<u><u>\$ 45,970,823</u></u>
Noncash transactions		
Transfer of assets related to charitable gift annuities to the ELCA Foundation	\$ -	\$ 3,283,525
Transfer of obligations related to charitable gift annuities to the ELCA Foundation	\$ -	\$ 3,283,525

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

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, Women of the Evangelical Lutheran Church in America, ELCA Federal Credit Union (Credit Union), congregations, synods, 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 (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 years ended January 31, 2022 and 2021. 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

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 Irrevocable, Split-Interest Agreements, Held by ELCA Foundation: The Church holds a beneficial remainder interest in various charitable gift annuities and charitable remainder trusts, commonly referred to as split-interest agreements. These agreements are administered by the ELCA Foundation on behalf of the Church and other beneficiaries. The Church records the fair value of the beneficial interest as a receivable and as revenue when documentation of the beneficial interest is received.

Beneficial Interest in Perpetual Trusts Administrated by Outside Organizations: 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 equity mutual funds, corporate and government obligations, term deposit accounts 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 net of investment fees 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

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

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

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.

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 and Expenses: 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.

Contributed Support: 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 met.

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.

Services and Other Revenue: Revenues from separately incorporated ministries and unincorporated self-supporting ministries for services provided by the Church (e.g., human resources, information technology, financial services, building management) relate to agreements to provide such services negotiated on an annual basis. These revenues are recognized throughout the year as these services are performed. Subscription revenue relates to publications and is recognized as the related publications are distributed. Registration revenue relates to events and is recognized as the events are held. Amounts paid for events that have not yet been held at January 31 are included in deferred revenues.

Income Tax: The Church has received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. There were no significant unrelated business income activities during the years ended January 31, 2022 and 2021.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

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

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, 2022 and 2021.

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, 2017. 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. Actual results could differ from estimates.

Reclassifications: On February 1, 2021, the organization implemented a reorganization of some areas to better align with the strategic focus of the organization. As a result, certain amounts in the prior year financial statements have been reclassified, with no effect on net assets or change in net assets, to conform to the current year presentation.

Adoption of New Accounting Standard: During the year ended January 31, 2021, the Church adopted Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* issued by the Financial Accounting Standards Board (FASB). This update is intended to improve the effectiveness of disclosures as it relates to fair value measurements.

Upcoming Accounting Guidance: In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. This ASU is effective for the Church's fiscal year beginning February 1, 2022. The Church has not yet implemented this ASU and is in the process of assessing the effect on the Church's financial statements.

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2022 and 2021, were \$5,809,225 and \$6,963,586, respectively, relating to synods' contributions for mission support, world hunger appeal, global church sponsorship and other programs that have been collected subsequent to year end. Interest is not normally charged on receivables. Management reviews all of the receivables on an individual basis for collectability and determines whether an allowance is necessary. No allowance for bad debts has been established because management considers all accounts receivable to be collectible.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Equity mutual fund	\$ 15,158,670	\$ 12,392,265
Fixed income securities		
U.S. government obligations	13,691,102	15,124,616
Corporate bonds	25,432,434	25,415,856
Term investments	594,386	874,303
Equity securities and physical real estate held at cost	1,731,825	1,836,748
Investments held in pools	493,284,368	468,435,637
Cash and cash equivalents	<u>1,012,880</u>	<u>1,009,922</u>
	<u>\$ 550,905,665</u>	<u>\$ 525,089,347</u>

The following schedule summarizes the investment return reported in the statement of activities for the years ended January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment distributions	\$ 7,867,686	\$ 7,468,768
Realized and unrealized gains on pooled investments	19,889,589	27,314,794
Dividend and interest income	<u>1,914,787</u>	<u>939,858</u>
Investment return, net	<u>\$ 29,672,062</u>	<u>\$ 35,723,420</u>

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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January 31, 2022 and 2021

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy is based on maximizing observable inputs and minimizing unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets in active markets that the Church has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Church's own assumptions that the market participants would use in pricing an asset.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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

Equity mutual fund: The fair values of equity mutual fund investments reflect quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Fixed income securities: Fair values of U.S. Government securities reflect closing prices reported in the active markets in which the securities are traded (Level 1 inputs). Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs – market approach).

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 Pools: The underlying investments within the ELCA Endowment Fund Pooled Trust, as well as certain other pooled investments held by the Church, have observable inputs and market activity that allow for fair values based on the underlying market prices of the securities in the pools. The Church has the ability to redeem their pooled investments 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).

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Beneficial interest in irrevocable, split-interest agreements, held by the Church: 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).

The following table sets forth, by level within the fair value hierarchy, financial instruments owned, at fair value as of January 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 15,158,670	\$ -	\$ -	\$ 15,158,670
Fixed income securities				
U.S. government obligations	13,691,102	-	-	13,691,102
Corporate bonds	-	25,432,434	-	25,432,434
Term investments	-	594,386	-	594,386
Cash and cash equivalents	1,012,880	-	-	1,012,880
Investments held at fair value	<u>\$ 29,862,652</u>	<u>\$ 26,026,820</u>	<u>\$ -</u>	<u>55,889,472</u>
Investments at net asset value per share				493,284,368
Total investments at fair value				549,173,840
Equity securities and physical real estate held at cost*				1,731,825
Total investments				<u>\$ 550,905,665</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,700,986</u>	<u>\$ 21,700,986</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,671,091</u>	<u>\$ 18,671,091</u>
	2021			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 12,392,265	\$ -	\$ -	\$ 12,392,265
Fixed income securities				
U.S. government obligations	15,124,616	-	-	15,124,616
Corporate bonds	-	25,415,856	-	25,415,856
Term investments	-	874,303	-	874,303
Cash and cash equivalents	1,009,886	-	-	1,009,922
Investments held at fair value	<u>\$ 28,526,767</u>	<u>\$ 26,290,159</u>	<u>\$ -</u>	<u>54,816,962</u>
Investments at net asset value per share				468,435,637
Total investments at fair value				523,252,599
Equity securities and physical real estate held at cost*				1,836,748
Total investments				<u>\$ 525,089,347</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,081,297</u>	<u>\$ 20,081,297</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,041,051</u>	<u>\$ 19,041,051</u>

* Physical real estate investments, comprised of land and buildings held by the Church at cost, was \$640,820 at both January 31, 2022 and 2021, respectively was not included in the fair value tables above. Additionally, equity securities, comprised of closely held stock held by the Church at cost, of \$1,091,005 and \$1,195,928 respectively at January 31, 2022 and 2021 was not included in the fair value tables above.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below rolls forward balances for Level 3 beneficial interest in perpetual trusts from February 1, 2020, through January 31, 2022:

Balance as of February 1, 2020	\$ 19,817,846
Unrealized gains	
Funds held for others	10,228
Outside trusts held in perpetuity	253,223
Balance as of January 31, 2021	20,081,297
Unrealized gains	
Funds held for others	-
Outside trusts held in perpetuity	1,619,689
Balance as of January 31, 2022	<u>\$ 21,700,986</u>

The table below rolls forward balances for Level 3 beneficial interest in split-interest agreements from February 1, 2020, through January 31, 2022:

Balance as of February 1, 2020	\$ 18,755,436
Increase in beneficial interest resulting from:	
Change in value of beneficial interests	285,615
Balance as of January 31, 2021	19,041,051
Decrease in beneficial interest resulting from:	
Change in value of beneficial interests	(369,960)
Balance as of January 31, 2022	<u>\$ 18,671,091</u>

Strategies Employed for Achieving Objectives of ELCA Endowment Fund Pooled Trust: Investments held in endowment funds are stated at fair value. Certain endowment funds are classified by the Church 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, 4% to 14% in investment grade fixed income securities, 0.0% to 10.0% in high yield fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in hedge funds, 0% to 8% in infrastructure, 0% to 20% in private markets, and 0% to 10% in U.S. inflation-indexed securities, with the balance in cash and cash equivalents.

(Continued)

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

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 the years ended December 31, 2021 and 2020 was 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 2022 is 4%.

NOTE 4 - MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2022 are summarized as follows:

	<u>Interest Rate</u>	<u>2022</u>	<u>2021</u>
Partnership support loans to congregations	0%	\$ 265,110	\$ 250,952

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, 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, 2022 and 2021. The Church does not believe that an allowance is necessary for these mortgage notes. If a Congregation decides to leave and is not able to pay the full amount received, the Church provides the opportunity for them to repay in installments.

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS

Overseas church construction loans bear interest at rates ranging from 2% to 5% and mature at various dates through October 15, 2029. The balances of overseas church construction loans outstanding as of January 31, 2022 and 2021 is \$392,692 and \$592,210, respectively.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS (Continued)

Concentration of Credit Risk: The loan portfolio consists of one segment and one class. The Church'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 Church. At January 31, 2022 and 2021, there was no amount past due for a period greater than one year. The following is a summary of notes by region for the years ended January 31:

	<u>2022</u>	<u>2021</u>
Africa	\$ 93,199	\$ 249,232
Latin America/Caribbean	<u>299,493</u>	<u>342,978</u>
Total overseas construction loans	<u>\$ 392,692</u>	<u>\$ 592,210</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, 2022 and 2021 is presented below:

	<u>2022</u>	<u>2021</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	51,994,321	51,844,593
Furniture and equipment	14,554,705	14,538,070
Work in progress	<u>325,701</u>	<u>135,420</u>
	67,007,727	66,651,083
Less accumulated depreciation	<u>(48,074,613)</u>	<u>(45,604,790)</u>
Totals	<u>\$ 18,933,114</u>	<u>\$ 21,046,293</u>

Depreciation expense for the years ended January 31, 2022 and 2021 was \$2,472,239 and \$2,449,427, respectively.

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. 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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January 31, 2022 and 2021

NOTE 7 - SPLIT-INTEREST AGREEMENTS (Continued)

Pooled Income Funds and Life Income Contracts: Donors contribute assets to an investment pool and are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor or designated beneficiary is paid the actual ordinary income earned on the donor's units. Realized gains or losses are added to each unit's principal. Upon the donor's death, the value of the units is released to the Church or a related organization to be used as specified by the donor.

The contributed assets are recorded at fair value. A contribution is recorded at the fair value of the assets discounted for the estimated time period until the donor's death. The appropriate risk adjusted rate at the date of the contribution is used for the discount rate, and the 2012 IAR Tables are used to calculate life expectancies. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future revenue.

A summary of recorded amounts related to these arrangements as of January 31, 2022 and 2021, is as follows:

	2022		2021	
	Deferred Revenue	Annuities Payable	Deferred Revenue	Annuities Payable
Charitable remainder annuity trusts	\$ -	\$ -	\$ -	\$ -
Charitable remainder unitrusts	-	-	-	1,578,093
Charitable gift annuities	-	3,189,371	-	4,560,027
Pooled income funds	743,636		457,382	
Life income funds	984	-	52,123	-
Life income estates	98,676	-	98,676	-
	<u>\$ 843,296</u>	<u>\$ 3,189,371</u>	<u>\$ 608,181</u>	<u>\$ 6,138,120</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.

NOTE 8 - RELATED-PARTY TRANSACTIONS

The ELCA Churchwide Organization is the beneficiary of endowment, trust and annuity accounts with a fair value of \$513,173,550 and \$488,377,752 at January 31, 2022 and 2021. These are managed by the ELCA Foundation.

The Church had a net receivable due from related organizations in the amount of \$6,794,878, at January 31, 2022, and \$4,884,998 at January 31, 2021. The net receivable represents expenses related to service level agreements between the Church and certain affiliated organizations for building space, accounting and management services performed on their behalf.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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January 31, 2022 and 2021

NOTE 9 - DEFINED-CONTRIBUTION PENSION PLAN

Substantially all active employees of the Church are enrolled in the noncontributory defined-contribution pension plan administered by Portico Benefit Services. The employer contributions to the plan for the years ended January 31, 2022 and 2021 were \$3,353,679 and \$3,685,409, respectively. All contributions to the plan are funded on a current basis.

NOTE 10 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS

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 6,400 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. The full actuarial valuation of the obligation is reported on the financial statements of Portico. Portico financial statements include the trust assets of approximately \$88,610,000 and \$97,499,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$81,006,000 and \$90,929,000 at December 31, 2021 and 2020, respectively.

The Church contributed \$0 and \$917,718 during the fiscal years ended January 31, 2022 and 2021 toward the funding of this post-retirement health care benefit. No additional funding in the future is expected at this time based on current projections.

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 was approximately \$362,587 and \$338,323 for the years ended January 31, 2022 and 2021, respectively.

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

	<u>Office Facilities</u>	<u>Office Equipment</u>	<u>Total</u>
2023	253,398	109,189	362,587
2024	-	108,796	108,796
2025	-	72,792	72,792
	<hr/>	<hr/>	<hr/>
Total	\$ 253,398	\$ 290,777	\$ 544,175
	<hr/>	<hr/>	<hr/>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2022 and 2021

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 and used according to the applicable restrictions.

NOTE 13 - LINE OF CREDIT

At January 31, 2022 and 2021, 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, 2022 and 2021, or during the years then ended.

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 ELCA. 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>2022</u>	<u>2021</u>
Region 1 – Northwest	\$ 2,117,630	\$ 2,061,499
Region 2 – Southwest	3,491,076	3,630,572
Region 3 – Northwest Midwest	6,768,165	6,788,186
Region 4 – Southwest Midwest	3,773,642	3,833,428
Region 5 – Northeast Midwest	8,362,318	8,510,086
Region 6 – Southeast Midwest	3,829,617	3,678,531
Region 7 – Northeast	3,921,606	3,899,002
Region 8 – East	3,819,018	3,733,388
Region 9 – Southeast	<u>4,530,650</u>	<u>4,602,769</u>
 Total synod mission support	 <u>\$ 40,613,722</u>	 <u>\$ 40,737,461</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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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 years ended January 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of program restrictions:		
World Hunger	\$ 21,656,129	\$ 20,111,463
Disaster Relief	9,407,075	12,083,169
Christian Community Leadership	1,706,319	1,158,796
Service & Justice	2,799,183	2,688,975
Office of the Presiding Bishop	2,112,166	75,422
Other programs	<u>3,248,324</u>	<u>9,365,120</u>
Satisfaction of program restrictions	40,929,196	45,482,945
Income expended from investments held in perpetuity	<u>3,766,598</u>	<u>3,883,044</u>
 Total releases from restriction	 <u>\$ 44,695,794</u>	 <u>\$ 49,365,989</u>

NOTE 16 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
General	\$ 92,421,214	\$ 71,514,045
Funds functioning as endowment (Note 18)	32,506,694	30,659,973
Net investment in property, furniture and equipment (Note 6)	<u>18,933,114</u>	<u>21,046,293</u>
 Ending balance	 <u>\$ 143,861,022</u>	 <u>\$ 123,220,311</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 17 - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2022</u>	<u>2021</u>
Program-restricted:		
Disaster Relief	\$ 26,549,055	\$ 21,958,433
World Hunger	11,860,013	10,107,048
Office of the Presiding Bishop	1,066,569	898,161
Christian Community Leadership	5,260,458	7,080,640
Service & Justice	9,149,507	9,285,564
Mission Advancement	828,077	2,848,777
Other Programs	2,517,681	2,152,990
	<u>57,231,360</u>	<u>54,331,613</u>
Time-restricted, expendable in subsequent years	144,759,845	137,763,816
	<u>201,991,205</u>	<u>192,095,429</u>
Investments in perpetuity, the income from which is expendable	210,209,354	197,797,817
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	10,960,668	9,849,952
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	2,516,745	2,304,373
	<u>223,686,767</u>	<u>209,952,142</u>
Total net assets with donor restriction	<u>\$ 425,677,972</u>	<u>\$ 402,047,571</u>

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.

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NOTE 18 - ENDOWMENT FUNDS (Continued)

The Church classifies as net assets with 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, 2022 and 2021. At January 31, 2022 and 2021, \$32,506,694 and \$30,659,973 was reported in net assets without donor restrictions. During the year, \$4,127,884 and \$4,114,907 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 years ended January 31, 2022 and 2021 were 4%, respectively, 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.

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, 2022, 31 of 1221 accounts had accumulated undistributed earnings. At January 31, 2021, 28 of 1090 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.

Endowment Investment Policies: The Trust's investment objective is to provide a stable stream of investment income with long-term capital appreciation, while assuming a moderate level of investment risk. In accordance with guidelines approved by the Trustee, the Trust's assets are invested in a manner that is intended to produce results that exceed the investment's benchmark by 40 basis points over rolling five-year time periods. Actual returns in any given year may vary from this objective.

Certain donor-restricted endowments that are held outside of the Trust are generally invested in term certificates intended to provide interest income and preserve principal amounts while assuming a low level of investment risk.

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NOTE 18 - ENDOWMENT FUNDS (Continued)

Net asset composition by type of endowment fund as of January 31, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds*	\$ -	\$ 355,314,847	\$ 355,314,847
Funds functioning as endowment	<u>32,506,694</u>	<u>-</u>	<u>32,506,694</u>
	<u>\$ 32,506,694</u>	<u>\$ 355,314,847</u>	<u>\$ 387,821,541</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds*	\$ -	\$ 338,317,336	\$ 338,317,336
Funds functioning as endowment	<u>30,659,973</u>	<u>-</u>	<u>30,659,973</u>
	<u>\$ 30,659,973</u>	<u>\$ 338,317,336</u>	<u>\$ 368,977,309</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.

(Continued)

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NOTE 18 - ENDOWMENT FUNDS (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, February 1, 2020	\$ 27,500,421	\$ 306,915,742	\$ 334,416,163
Net investment return	1,985,760	29,396,677	31,382,437
New gifts	511,301	7,831,803	8,343,104
Net assets released from restriction	4,114,907	(4,114,907)	-
Other changes			
Endowment distribution of income	<u>(3,452,416)</u>	<u>(4,016,352)</u>	<u>(7,468,768)</u>
Total other changes	<u>(3,452,416)</u>	<u>(4,016,352)</u>	<u>(7,468,768)</u>
Net assets, January 31, 2021	<u>30,659,973</u>	<u>336,012,963</u>	<u>366,672,936</u>
Cash surrender value of life insurance	<u>-</u>	<u>2,304,373</u>	<u>2,304,373</u>
Net assets, January 31, 2021	30,659,973	338,317,336	368,977,309
Net investment return	2,049,433	16,203,431	18,252,864
New gifts	740	5,941,569	5,942,309
Net assets released from restriction	4,127,884	(4,127,884)	-
Other changes			
Endowment distribution of income	<u>(4,331,336)</u>	<u>(3,536,350)</u>	<u>(7,867,686)</u>
Total other changes	<u>(4,331,336)</u>	<u>(3,536,350)</u>	<u>(7,867,686)</u>
Net assets, January 31, 2022	<u>32,506,694</u>	<u>352,798,102</u>	<u>385,304,796</u>
Cash surrender value of life insurance	<u>-</u>	<u>2,516,745</u>	<u>2,516,745</u>
Net assets, January 31, 2022	<u><u>\$ 32,506,694</u></u>	<u><u>\$ 355,314,847</u></u>	<u><u>\$ 387,821,541</u></u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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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 statements 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 years ended January 31, 2022 and 2021.

	2022			
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 44,776,454	\$ 76,710	\$ -	\$ 44,853,164
Compensation and benefits	20,178,308	13,427,801	4,199,770	37,805,879
Travel	491,128	165,889	76,650	733,667
Events and conferences	852,686	275,347	8,427	1,136,460
Office operations	2,808,126	3,380,506	1,276,140	7,464,772
Depreciation	1,079,895	1,149,763	242,581	2,472,239
Occupancy	927,841	987,872	208,425	2,124,138
Transfers to restricted and designated funds	2,653,021	302,388	(2,955,409)	-
Miscellaneous and expense recovery	1,523,504	2,640,809	259,096	4,423,409
	<u>\$ 75,290,963</u>	<u>\$ 22,407,085</u>	<u>\$ 3,315,680</u>	<u>\$ 101,013,728</u>
	2021			
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 42,460,521	\$ 615,834	\$ 2,210	\$ 43,078,565
Compensation and benefits	25,643,909	11,747,866	2,784,218	40,175,993
Travel	647,368	39,477	37,331	724,176
Events and conferences	1,063,758	125,712	9,921	1,199,391
Office operations	5,023,343	3,037,121	73,558	8,134,022
Depreciation	1,054,416	1,162,832	232,179	2,449,427
Occupancy	964,216	1,063,358	220,540	2,248,114
Transfers to restricted and designated funds	(129,561)	46,105	83,456	-
Miscellaneous and expense recovery	3,207,289	1,307,719	(328,370)	4,186,638
	<u>\$ 79,935,259</u>	<u>\$ 19,146,024</u>	<u>\$ 3,115,043</u>	<u>\$ 102,196,326</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.

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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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 66,552,968	\$ 45,970,823
Operating Investments	<u>54,282,206</u>	<u>52,932,772</u>
	<u>\$ 120,835,174</u>	<u>\$ 98,903,595</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. The Church had \$32,735,524 and \$30,659,973 in board designated endowments without donor restriction at January 31, 2022 and 2021. While the Church does not have any intention of liquidating the board designated endowments, and they are not currently available for general expenditure, these funds could be made available with Church Council approval.

NOTE 22 - PAYCHECK PROTECTION PROGRAM LOAN

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, in April, 2020, the Church received a Paycheck Protection Program (PPP) loan in the principal amount of \$7,506,200 from the United States Small Business Administration (SBA).

The Church elected to account for its PPP loan in accordance with ASC 470 and ASC 405. Under ASC 470 and ASC 405, the PPP loan proceeds are initially recorded as a financial liability and subsequently recognized as revenue upon legal release from the liability should such release occur. At January 31, 2021, the Church had not repaid the loan balance and there had been no legal release and, therefore, the loan proceeds were recorded as a financial liability on the statement of financial position.

On July 27, 2021, the Church received notification that the United States Small Business Administration had reviewed the Church's application for forgiveness of the PPP loan and forgiven the loan and related accrued interest in full. The income from this loan forgiveness was recognized in the year ended January 31, 2022, as a gain on extinguishment of debt. The gain shown on the statements of activities is \$5,696,814 which reflects the forgiveness of debt in the amount of \$7,506,200 less expenses of \$1,809,386 for grants of the PPP shared with certain separately incorporated ministries of the Church.

NOTE 23 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2022. Management has performed their analysis through July 29, 2022, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.