



July 28 – August 2
PHOENIX, ARIZONA



Report of the Treasurer

Part One: Work of the office

Responsibilities

The treasurer of the Evangelical Lutheran Church in America (ELCA) proposes policy and provides for the implementation, within such policies, of the financial, accounting, audit, granting, banking, investment, property, and information technology systems of the churchwide organization. The office also oversees the management of churchwide organization facilities. The governing description of the Office of the Treasurer appears in the *Constitution, Bylaws, and Continuing Resolutions of the Evangelical Lutheran Church in America*, continuing resolutions 15.14.A25. and 15.14.B25.

Budget development and oversight

In the area of budgeting the Office of the Treasurer estimates revenue, recommends spending authorization levels, and advises the Office of the Presiding Bishop regarding financial sustainability. Working closely with the Office of the Presiding Bishop, including the Development team, this office engages in collaborative efforts to monitor and align spending of both unrestricted and restricted funds with anticipated income. The budget is prepared using Adaptive Planning, the budgeting tool within our financial accounting solution, Workday, based on revenue and spending authorizations approved by the Churchwide Assembly and/or the Church Council. Finance directors work collaboratively with programmatic units and offices to develop budgets and to provide financial oversight of spending in accordance with the budget allocations and restricted projects. Business reviews are conducted with each unit and office on a quarterly basis to review actual performance vis-à-vis budget. The budgeting team also oversees the capital expenditures and related budget of the churchwide organization. See Section V for more details on the FY 2026–2028 budget.

Accounting services

The Financial Accounting and Reporting team is responsible for processing financial transactions, performing month-end closings, and reporting financial results of the churchwide organization, including the annual audit performed by our external auditors. Financial statements are prepared both monthly and annually. Collaboration across the organization and with our separately incorporated ministries is an important aspect of this team's work to ensure transactions are recorded in accordance with generally accepted accounting principles and that internal controls are in place and operating effectively. Oversight of the financial statements also includes maintenance of the general ledger, including both accounting for receipts and spending for unrestricted, restricted, and designated funds. The accounts receivable, accounts payable, contracts processing, and cash management functions are also performed by the financial accounting team. The team also provides various accounting services for the ELCA Foundation, Lutheran Men in Mission, and Women of the ELCA, as well as services for special events such as the Youth Gathering and Churchwide Assembly.

Banking and investments

The Office of the Treasurer is responsible for safeguarding organizational assets and for recommending policies to the ELCA Church Council for managing cash balances and monitoring the activities of investment managers. Investment strategies are designed to meet policy objectives and cash flow needs. Operational banking and investment relationships are maintained with BMO Harris Bank; Wells Fargo Bank; Columbia Threadneedle Investments, the global asset management business of Ameriprise Financial, Inc.; and Midwest Institutional Trust Company.

BMO Harris Bank continues to provide treasury management services for churchwide programs. Endowment assets and other deferred gift investments are managed by the ELCA Foundation.

Grants management

The Grants Management team of the ELCA churchwide organization serves as a central partner in supporting, consulting, and collaborating with program staff to develop efficient and effective processes for all grant and scholarship distributions. The team plays an integral role in every phase of the grant cycle (including registration, application, review, decision-making, distribution, and reporting), assuring a consistent and streamlined experience for both internal and external stakeholders.

Acting as both a service and strategy unit, the team is committed to building user-friendly systems, creating essential resources for grantees, employees, and reviewers, and fostering greater clarity and accessibility in all aspects of grants administration. Their goal is not only operational excellence but also to connect internal staff to their work in meaningful, informed ways.

Audit

The Office of the Treasurer is responsible for designing the system of internal controls to safeguard the organization's resources, including the coordination of internal audit services. Forvis Mazars has provided internal audit services for the churchwide organization, the ELCA Foundation, and the Mission Investment Fund since 2021.

Forvis Mazars' work includes a third-party assessment of the churchwide organization's risk matrix and financial controls as well as best practices. The internal audit function reports directly to the ELCA Audit Committee. As part of the internal audit services provided, Forvis Mazars supports an electronic platform that employees may use to report whistleblower concerns, which includes topics in the following categories: Business Conduct Standards; Human Resources; Environmental, Health, and Safety; Fraud, Abuse, and Theft; Information Law, Data Privacy and Cybersecurity; and Healthcare. Employees may file claims anonymously if they choose.

Crowe LLP provides external audit services for the churchwide organization and meets with the ELCA Audit Committee at least two times per year. During the triennium, audit processes have resulted in unmodified opinions and no proposed adjustments or material weaknesses in internal controls. The audit reports for the churchwide organization are attached as an addendum to this report.

Information technology

The ELCA Information Technology and Digital Solutions team (OT-IT) widely supports the church by developing modern technology solutions for finding community and relationships with current members, as well as those unfamiliar with the ELCA. The churchwide organization OT-IT team provides contemporary business tools and applications for spreading the word of God and provides management services for finance, rostered ministers, congregations and relational constituents, archives, forms, surveys, and websites. Other digital solutions enhance how the ELCA carries out ministry across its expressions.

Office of the Treasurer highlights during the triennium 2023–2025

The work of all facets of the Office of the Treasurer is not only to support the work of the churchwide organization and all those that we serve today, but also to provide thought leadership as together we plan for the future of the ELCA. The past triennium has been marked with adaptation of policies and business processes to support a continued hybrid work force, introduction of new tools to create efficiencies in our work, emphasis on planning and financial projections, response to shifts in communities that we serve and those with whom we want to connect, and a lens toward innovative thinking and change management. We recognize that none of our work would be possible without the support that is provided by members of our church, congregations and worshiping communities, synods, and other ministry partners, and we give thanks for each of you. The OT-Finance team is driven by a passion and commitment to provide accurate and timely information to support decision making and to faithfully steward those assets entrusted to us so we may be able to financially resource the organization to do the work that God is calling us to do for generations to come. The commitment of the OT-IT team is to create value by accompanying our partners in delivering and advancing purposeful technology solutions that reduce complexity and increase the focus on mission in a secure, people-centered, consistent, impactful, collaborative, and cost-effective manner.

- **Enhanced budgeting, forecasting, and planning:** Workday's budgeting module, Adaptive Planning, was first introduced in the development of the detailed operating budgets for FY 2023. The use of Adaptive Planning has reinforced the practice of building budgets from the bottom up, simplified the user experience, promoted consistency in classification across the organization, improved versioning and document retention, and enhanced reporting and review of budget to actual results, necessary for informed decision making. Not only has this tool created efficiencies in the budgeting process, but visibility and access to greater detail through Workday has resourced teams with data to more easily manage budgets, considering declining budget allocations. The churchwide organization is continuously learning new ways to more effectively use Adaptive Planning in forecasting and modeling scenarios.
- **Invoice payments:** In February 2025, the OT-Finance team engaged with an outsourced payments provider, OneSource Virtual, to pay a portion of our invoices at a reduced cost. The service lowers our banking fees and also promotes the opportunity for suppliers to receive payments through virtual cards. The ELCA benefits through a quarterly rebate for those suppliers that opt-in to receive virtual payments. This payment partnership comes at no cost to the ELCA, enhances the types of payments we offer to vendors, reduces banking fees, and also creates a small revenue stream. International wires and checks and grants for synods,

congregations, and other suppliers who do not opt-in for virtual payments continue to be paid through our regular payment processes and, if any urgent payment need arises, OT-Finance can continue to make these payments via our traditional banking process.

- **Reduction in close time and issuance of monthly financial statements:** The OT-Finance team has been actively engaged in coordinating a faster period close process to ensure that financial statements are completed and shared within the organization in a timely manner. Monthly, financial statements are reviewed with key OT-Finance leaders within the first ten business days of the month and published for the churchwide organization thereafter. This is 1–2 weeks faster than the historical process. Thank you to the many partners, including synods, who have enabled this by modifying processes to submit data to us more quickly. OT-Finance staff have implemented enhanced system period close checklists (starting July 2022) and account certifications (November 2022) as a means of coordinating monthly close tasks and reconciliation approval. These checklists and certifications clearly document when users complete tasks and the financial statements are not issued until all period close tasks are signed off and completed. Overall, this process not only has improved the timeliness of financial statement preparation, but also drastically improved our control environment as reviewed by both internal and external audit.
- **Expense report improvements:** The expense report process continues to improve both through technology enhancements and overall process improvements. Employees now receive recommendations when entering expense transactions on their reports, eliminating guesswork and ensuring accurate expense item coding. This also reduces the time employees spend on their expense reports. Furthermore, we offer receipt scanning services, allowing employees to scan receipts with their mobile phone cameras which automatically generates an expense item for upcoming reports. The control environment over expense report review has also been enhanced through the use of anomaly detection within the Workday application. Background machine learning helps to identify if employees have unusually high charges, incorrectly coded expenses, and provides a risk rating of high, medium, or low for the expense partner and other reviewers to see as they are reviewing expense reports.
- **Other changes that benefit the organization:** The Office of the Treasurer is continually working to improve the experience of our internal staff as well as those whom we serve. OT has internally automated many reports and functions that historically were done through manual files and processes. The streamlining of these functions has improved accuracy of data and allows for real-time reporting. The OT-Finance and OT-IT teams actively coordinate to ensure that all enhancements that would positively impact the staff's use of the system are implemented. Enhanced machine learning, anomaly detection, and suggested invoice and expense coding are a few of the Workday improvements that have been leveraged over the last few years. The OT team also has worked to enhance payment mechanisms through implementing a stripe account to allow donors and staff to use digital wallets in making payments to the churchwide organization for various payments to the ELCA, online giving, and event registration. The use of the stripe system has improved user experience in allowing payments through QR codes and other fundraising pages.
- **Grantmaking at scale:** In FY 2024 alone, the Grants team managed 1,121 active grant processes, resulting in the distribution of approximately \$50 million.
- **Grant system improvements:** Over the past three years, the Grants team conducted a comprehensive audit of the ELCA GrantMaker (EGM) system and its related resources. This led to the creation of a centralized resource hub, a reconfiguration of the EGM system, and a redesign of the elca.org/grants website. These updates simplified navigation, clarified support options, and enhanced system alignment for a more intuitive user experience.
- **Structural streamlining and policy updates:** To enhance consistency and future reporting capabilities, the Grants team reduced the number of grant themes from nine to four, consolidated data fields, and standardized backend naming conventions. They also led a revision of the ELCA's grantmaking policy, strengthening compliance, improving clarity, and reinforcing best practices.
- **Responsive service model:** Supporting both internal and external stakeholders, the Grants team manages an active grants ticketing system, responding to approximately 3,000 tickets annually. Their ongoing support ensures issues are resolved efficiently and user needs are consistently met.
- **Affordable, enabling ministry technology:** OT-IT staff focused on building partnerships with program leaders to enhance congregation and synod utilization of technology solutions to advance their ministries. For instance, listening sessions were conducted with Research and Evaluation along with several synods for improvements to the annual report process. This led to skillset development through scheduled training and instructions for completing the report with an updated technology system. Also, the OT-Finance and OT-IT

team conducted a successful webinar for synod treasurers and bookkeepers regarding the synod remittance process and system which will help centralize communications for all active synod staff.

- **Reaching a new ELCA audience with digital advancements:** OT-IT partnered with Development and Strategic Communications and other parts of the churchwide organization to deliver easy-to-use online and digital solutions for existing members and for reaching new, young, and diverse individuals. The organization completed the move to a robust email platform to allow for more responsive and flexible communication for those we serve. The organization also introduced a new, modern, online giving platform which has processed \$2.5 million in donations, including the ability to cover processing fees on 69% of all gifts, resulting in \$44,000 of additional revenue to offset processing costs and support for digital wallets. The [ExploreFaith.Church](#) website was launched along with an upgraded online resource center. Other sites that were launched or migrated were the [Youth Gathering](#) site and [Young Adult](#) sites. A new e-advocacy system to improve dissemination of information and calls to action, including contacting legislators through email and phone calls, was implemented.
- **The ELCA and artificial intelligence (AI):** The churchwide organization invested in understanding and preparing for responsible, human-centered use of artificial intelligence. To be responsible and ethical in using the AI toolkit, governance structure and policies were implemented. The creation was iterative and will continue to evolve as the ELCA adopts this new technology. Baseline education was provided on the opportunities and risks. A readiness assessment and value discovery were conducted to understand opportunities and approaches that the organization can take as it looks to enable itself with this technology in a responsible way.
- **Working efficiently through remote and hybrid collaboration:** Reducing travel expenses increases the need to collaborate in a hybrid manner. New technologies have added benefits including transcription, translation, note summary, and advanced features such as hand-raising and whiteboarding. OT-IT embraced these new technologies and trained the organization to foster community and relationships using these tools, including the work of the Conference of Bishops and Church Council.
- **Enterprise risk management and data security:** Information security remained a top priority for the OT-IT team and partners to protect organizational reputation and keep systems and data secure. IT focused on moving more of the infrastructure to the cloud and improving security related to hybrid/remote work. Investments were made in security awareness to ensure all staff build their knowledge of the role they play in securing information. Data loss prevention systems were upgraded to improve data protection. The technology systems remaining at the Lutheran Center had their current and disaster recovery databases migrated to an improved and more cost-effective platform.

A comprehensive security assessment was conducted in 2024. The assessment was based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF). The ELCA received a score of 3 (Repeatable) on a scale of 4 (Adaptive) which indicates that churchwide organization practices are more formalized and consistently applied compared to lower tiers. The Repeatable tier indicates that an organization has established and implemented risk management practices that are regularly updated based on lessons learned and predictive indicators.
- **Analytics and automation:** Building upon capabilities of the major software systems implemented during 2019–2022, priority was given to optimizing the user experience, automating processes, integrating technologies, leveraging single points of entry for constituent information, and enhancing data analytics to assist with financial insights, engagement strategies, and demographic information.

The Information Technology team led numerous other initiatives to become more digitally enabled. The team:

- Provided training and support for computers, website/web applications, staff onboarding and offboarding, and systems maintenance, as well as support for meetings, events, and conferences.
- Provided support for several separately incorporated ministries including the ELCA Foundation, Mission Investment Fund, Women of the ELCA, and Lutheran Men in Mission. In 2024 we began to partially support the ELCA Federal Credit Union.
- Created the concept of ELCA education days and delivered 44 live education classes with more than 1,015 attendees in 2024.
- Continued using agile and product centric management practices to increase speed to value delivery and impact.
- Provided global gender updates to systems and records to reflect gender identity more accurately.
- Improved technology in the chapel to offer better engagement for both in-person and remote attendees.
- Partnered with the MIF in the migration to their new banking platform.

- Partnered with the ELCA Foundation in the launching of their new donor/investor portal.
- A laptop refresh for churchwide organization staff will occur in the fourth quarter of 2025.

Major work in 2026–2028

As we approach the next triennium, the OT-Finance team will continue to collaborate across the organization to identify opportunities to increase revenue streams and to leverage work to maximize resources available for ministries.

The team will also serve as resource staff for the Financial Coordinating Task Force, as recommended by the Commission for a Renewed Lutheran Church. The task force will consist of members with financial expertise from all three expressions of this church and will look for opportunities to share best practices and to strengthen and leverage financial resources.

Oversight of facilities management returned to the Office of the Treasurer in 2025. A major focus of this work in the next triennium will be on tenant recruitment and operating improvements to enhance the financial returns generated by the Lutheran Center facility.

Finance will continue to better leverage the continuously evolving Workday system for improved analysis and user experience. Finance will continue to utilize system capabilities to improve cashflow forecasting on a daily, weekly, and monthly basis and to review cash management alternatives to enhance short-term investment returns and protect assets. Further reporting and analytic creation will be leveraged to provide staff the resources needed to evaluate opportunities for cost reductions as the churchwide organization manages against projected declines in revenue streams for the 2026–2028 triennium. Tools such as Workday Agents, an enhanced version of AI, will be assessed in the next few years to simplify and further automate essential tasks.

Efforts are underway to improve bi-directional synod communications related to financial matters. The implementation of a synod portal will bring an integrated approach to all payments to synods as well as a more user-friendly synod Mission Support process. Initially, the portal will be functional in 2025, but additional enhancements are expected in 2026 to bring about better reporting back to synods on intent, receipts, payments, and invoices.

Information Technology will have opportunities across the expressions of this church to analyze, assess, and deliver improved technical solutions for mission growth. Some of these opportunities include:

- **Growing this church by building community:** As new constituents are identified from an advanced technological generation, OT-IT is confident in building engagement platforms for supporting synods and congregations to advance the gospel through traditional and digital communications.
- **Strengthening ELCA ecology communication portals:** New digital portals will be developed to improve the flow of information across expressions of this church and its leaders. Solutions for these portals include the Ministry Site Profile, the Rostered Minister Profile, call process, candidacy, and synod financials.
- **Website advancements:** A new ELCA.org website with improved search technologies, including search engines powered by AI.
- **Fundraising and online donations:** Online giving grew in 2024, and the donor experience will continue to be enhanced with a new peer-to-peer fundraising solution that allows for more money to be raised because it relies on individuals' crowdfunding with the ELCA. Online giving, including the ELCA Good Gifts catalog, will continue to be evaluated to maximize potential giving as well as automation for deeper engagement like a welcome series and opportunities to engage more deeply with the ELCA.
- **Execute budget and financial goals for stronger organizational fiduciary management:** OT-IT and OT-Finance will heighten collaboration to ensure the ELCA is empowered to improve budget forecasting, enhance process efficiency, and remove redundant systems. Continuing OT-IT Adoption and Education will equip staff and help the organization understand improvements using the system tools at their fingertips. This includes budget management, contracts, income, and revenue.
- **Artificial intelligence:** OT-IT will advance governance and policy setting for use of AI by the churchwide organization and shape how the ELCA will utilize AI to assist with optimizing the operations of the organization and improving the way that we serve this church.
- **Simplify hybrid work with technology improvements:** To enable the churchwide organization workforce, investments will be made to improve the technology available to all staff to increase the effectiveness of their work. Making staff more efficient through better technology will help bring more value across the ministries and mission of this church.
- **Constituent and financial data risk management and security:** As part of the churchwide organization's increasing enterprise risk management priority, this office will implement additional prevention and mitigation strategies for risks identified as related to the operations of the Office of the Treasurer.

Part Two: 2022, 2023 and 2024 audited financial reports

The audited financial statements of the ELCA churchwide administrative offices for the fiscal years ended Jan. 31, 2023; Jan. 31, 2024, and Jan. 31, 2025, are attached as Appendices A–C of this report. These statements include the activities of all units and offices of the churchwide organization for each of the three years. Financial statements are prepared by management, audited by Crowe LLP, and reviewed by the Audit Committee of the ELCA.

Current Fund Operating results for 2022, 2023, and 2024

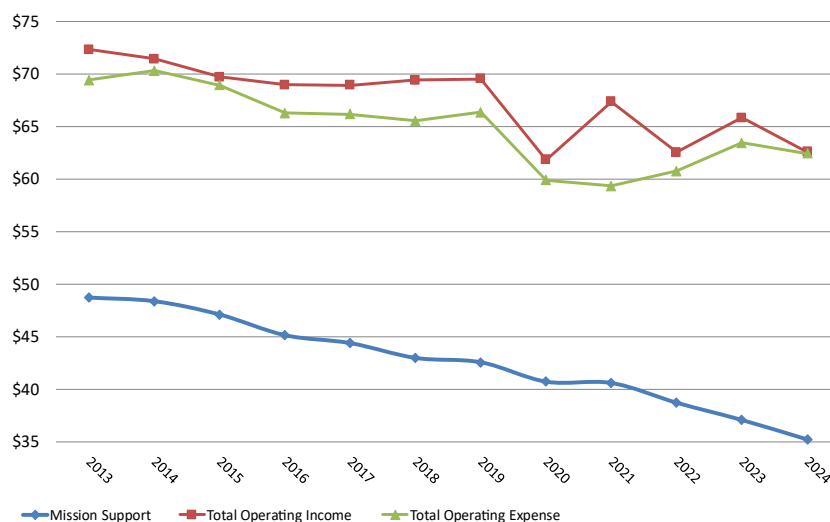
Due to the generosity of our members, favorable investment returns, and expense controls, over the last triennium, net revenues over expenses were favorable by just over \$4.7 million, net of unrealized gains on investments. These monies were reinvested in a) designated funds to support expenses from the work of the Commission for a Renewed Lutheran Church for the past two years and potential actions from the 2025 Churchwide Assembly; b) invested in the Mission Development Endowment Fund, which supports new initiatives and other ministry needs; and c) added to a designated fund that supports anticipated budget deficits in future years. Item c) is expected to be utilized in the 2025 and 2026 budget years.

Mission Support, which represents the share of income passed from congregations to synods to the churchwide organization decreased from \$40.6 million in 2021 to \$38.7 million in 2022, \$37.1 million in 2023, and \$35.2 million in 2024. Despite declines in Mission Support, the churchwide organization was able to maintain a relatively consistent level of spending of \$62.5 million and \$62.3 million in 2024 and 2023, respectively. Fiscal year 2022 was uncharacteristic with overall spending more than 10 percent below budget, at \$59.2 million. This is largely attributable to staffing vacancies across the organization, but especially in the Innovation unit, as well as reduced travel and some delays in grants following the pandemic.

In each of the past three years, the churchwide organization has been blessed, not only from the generosity of our members, congregations, and synods but also by unplanned sources of income that have benefitted our work. In 2022, the churchwide organization received unrestricted bequests which exceeded plan by \$1.3 million and were an important source of revenue to offset weakened investment returns. In 2023 and 2024, markets rebounded, generating \$2.8 million and \$3.7 million of favorable investment income, net of unrealized gains, respectively.

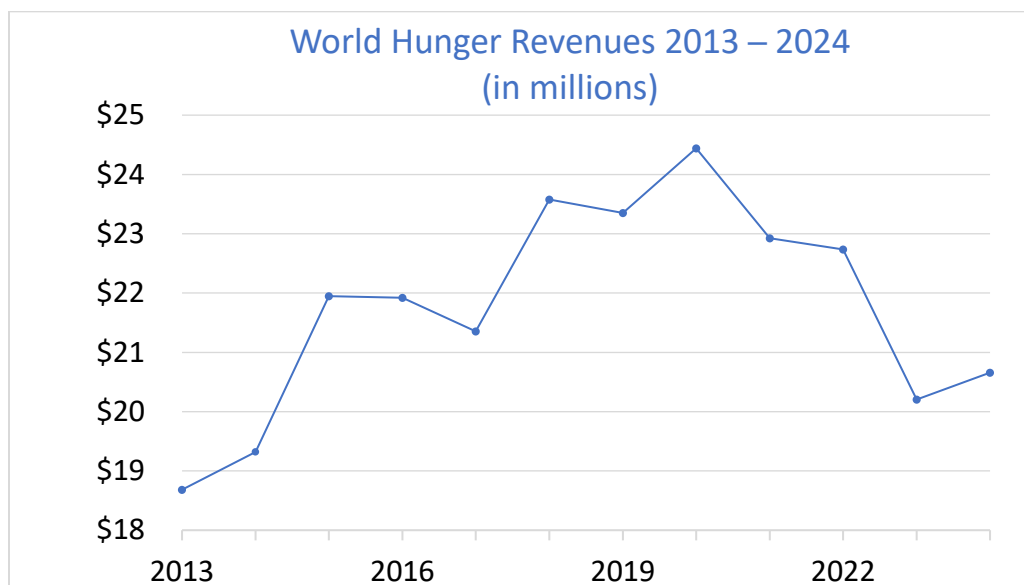
Over the past ten years, the percentage of unrestricted revenues from sources other than Mission Support has grown from 32 percent to 44 percent while Mission Support has decreased from 68% to 56%. These other sources of income include unrestricted direct gifts from individuals, congregations, synods, and other ministry partners, as well as bequest income, endowment distributions, “holy closures” of congregations, and investment income. We are blessed by this abundance which has also allowed us to defer spending from the designated fund for budget support. However, because these revenue streams are less predictable, we do anticipate spending down the designated fund for budget support in 2025 and 2026.

Current Fund Income vs. Expense 2013 – 2024 (In Millions)



ELCA World Hunger

The year 2024 marked the 50th anniversary of Lutherans working together to support and address the root causes of hunger and poverty issues around the world. Celebration of this anniversary will conclude at this Churchwide Assembly. Over the 2022–2024 triennium, nearly \$64 million has been raised in support of ELCA World Hunger, while nearly \$73 million has been expended across the globe to address hunger and related issues. We celebrate the generosity of so many faithful members who have made this work possible. These gifts have allowed the ELCA to support hunger initiatives including food security, health and housing, hunger education, agriculture and income generation, migration, and human rights in 62 countries in 2024. Over the same three-year period, more than \$55 million was received and more than \$51 million was distributed to respond to a variety of disasters both domestically and internationally. Key areas of support were the Eastern European and Middle East crises, wildfires, and hurricanes, as well as growth in the general disaster fund which allowed this church to support those in need who were afflicted by less publicized disasters.



Summary

Scripture tells us in 2 Corinthians 9:8, 11–12, the following, “And God is able to provide you with every blessing in abundance, so that by always having enough of everything, you may share abundantly in every good work.... You will be enriched in every way for your great generosity, which will produce thanksgiving to God through us; for the rendering of this ministry not only supplies the needs of the saints but also overflows with many thanksgivings to God.”

Thank you for your financial support that funds the work of the churchwide organization. Please know that we take very seriously our responsibility to steward these resources faithfully. We appreciate your prayers and continued support as we work toward our purpose of activating each of us so more people know the way of Jesus and discover community, justice, and love. What a privilege and joy it is to serve this church in this capacity!

Ms. Lori S. Fedyk, *treasurer of the ELCA*, together with

Mr. Jonathan Beyer, *executive for information technology & digital solutions*

Ms. Cecilia Favella, *finance director*

Mr. Santiago Padilla, *director, planning, budgeting and system optimization*

Ms. Annette Roman, *executive for financial controls and policy, finance director*

Ms. Stephanie Ulba, *controller*

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION**

FINANCIAL STATEMENTS
January 31, 2023 and 2022



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2023 and 2022

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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 Evangelical Lutheran Church in America Churchwide Organization (the Church), which comprise the statements of financial position as of January 31, 2023 and 2022, 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, 2023 and 2022, 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 Evangelical Lutheran Church in America Churchwide Organization 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, 2023 and 2022, 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
June 28, 2023

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
January 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 74,070,232	\$ 66,552,968
Accounts receivable (Note 2)	6,860,999	8,303,215
Loans receivable (Notes 4 and 5)	658,781	792,876
Due from related organizations, net (Note 8)	7,354,689	9,034,441
Investments (Note 3)	522,700,757	550,905,665
Prepaid expenses and other assets	7,140,162	7,700,919
Property, furniture, and equipment, net (Note 6)	17,609,986	18,933,114
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	12,089,038	18,671,091
Beneficial interest in perpetual trusts (Note 3)	<u>18,326,340</u>	<u>21,700,986</u>
 Total assets	 <u>\$ 666,810,984</u>	 <u>\$ 702,595,275</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 234,123	\$ 2,190,686
Deferred revenue	848,681	3,599,141
Due to related organizations, net (Note 8)	1,283,291	2,239,563
Accrued liabilities	3,837,483	7,540,402
Annuities payable (Note 7)	2,643,865	3,189,371
Funds held for others (Note 1)	5,278,076	6,320,083
Funds held for others in perpetuity (Note 1)	<u>102,164,676</u>	<u>107,977,035</u>
Total liabilities	<u>116,290,195</u>	<u>133,056,281</u>
 Net assets		
Without donor restrictions (Note 15)	147,967,946	143,861,022
With donor restrictions (Note 16)	<u>402,552,843</u>	<u>425,677,972</u>
Total net assets	<u>550,520,789</u>	<u>569,538,994</u>
 Total liabilities and net assets	 <u>\$ 666,810,984</u>	 <u>\$ 702,595,275</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2023 and 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenue and support				
Contributed support				
Synod mission support (Note 13)	\$ 38,727,560	\$ -	\$ 38,727,560	\$ 40,613,722
World Hunger Appeal	-	19,130,330	19,130,330	20,854,710
Global Church sponsorship	2,470,846	-	2,470,846	2,058,712
Disaster response	-	23,328,478	23,328,478	14,371,460
Endowment distributions	3,573,876	6,759,132	10,333,008	7,867,686
Mission Investment Fund	1,500,000	-	1,500,000	1,625,000
Bequests, trusts, and residuums	3,705,391	3,035,456	6,740,847	6,318,950
Grants—corporate and other	304,304	3,246,323	3,550,627	204,538
Other gifts	7,087,212	3,026,700	10,113,912	9,022,392
Total contributed revenue	<u>57,369,189</u>	<u>58,526,419</u>	<u>115,895,608</u>	<u>102,937,170</u>
Other revenue				
Net return on operating investments	(4,063,998)	-	(4,063,998)	1,914,787
SPPO offices' revenue	92,219	-	92,219	120,095
Services and other revenue	5,538,350	-	5,538,350	5,476,884
Lease income	1,824,025	-	1,824,025	1,821,611
Gains on extinguishment of debt	-	-	-	5,696,814
Total other revenue	<u>3,390,596</u>	<u>-</u>	<u>3,390,596</u>	<u>15,030,191</u>
Net assets released from restrictions				
Satisfaction of restrictions (Note 14)	47,840,624	(47,840,624)	-	-
Income expended from investments				
held in perpetuity (Note 14)	<u>3,619,781</u>	<u>(3,619,781)</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>51,460,405</u>	<u>(51,460,405)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>112,220,190</u>	<u>7,066,014</u>	<u>119,286,204</u>	<u>117,967,361</u>
Operating expenses				
Program services				
Christian Community Leadership	25,034,779	-	25,034,779	24,595,086
Service and Justice	51,620,436	-	51,620,436	41,057,578
OB, Development	3,661,398	-	3,661,398	5,735,965
Church periodicals	1,365,826	-	1,365,826	1,066,655
Office of the Presiding Bishop	1,234,525	-	1,234,525	948,765
Innovation	801,143	-	801,143	1,432,969
SPPO offices' expense	71,951	-	71,951	89,278
Total program services	<u>83,790,058</u>	<u>-</u>	<u>83,790,058</u>	<u>74,926,296</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Years ended January 31, 2023 and 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 3,123,297	\$ -	\$ 3,123,297	\$ 5,352,341
Office of the Treasurer	10,682,296	-	10,682,296	9,982,816
Office of the Secretary	8,061,669	-	8,061,669	6,447,416
OB, Development	321,571	-	321,571	624,512
Total management and general	<u>22,188,833</u>	<u>-</u>	<u>22,188,833</u>	<u>22,407,085</u>
Fundraising				
Development	<u>3,227,608</u>	<u>-</u>	<u>3,227,608</u>	<u>3,315,680</u>
Total fundraising	<u>3,227,608</u>	<u>-</u>	<u>3,227,608</u>	<u>3,315,680</u>
Total operating expenses	<u>109,206,499</u>	<u>-</u>	<u>109,206,499</u>	<u>100,649,061</u>
Net operating revenue and support less operating expenses	3,013,691	7,066,014	10,079,705	17,318,300
Non-operating transactions				
Endowment contributions	4,477,398	5,392,423	9,869,821	5,942,309
Net investment return on endowment and other deferred gifts	(3,384,165)	(31,344,924)	(34,729,089)	19,889,589
Change in value of beneficial interest in split interest agreements and outside trusts	<u>-</u>	<u>(4,238,642)</u>	<u>(4,238,642)</u>	<u>1,120,914</u>
Total non-operating transactions	<u>1,093,233</u>	<u>(30,191,143)</u>	<u>(29,097,910)</u>	<u>26,952,812</u>
Changes in net assets	4,106,924	(23,125,129)	(19,018,205)	44,271,112
Net assets at beginning of year	<u>143,861,022</u>	<u>425,677,972</u>	<u>569,538,994</u>	<u>525,267,882</u>
Net assets at end of year	<u>\$ 147,967,946</u>	<u>402,552,843</u>	<u>\$ 550,520,789</u>	<u>\$ 569,538,994</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributed support			
Synod mission support (Note 13)	\$ 40,613,722	\$ -	\$ 40,613,722
World Hunger Appeal	-	20,854,710	20,854,710
Global Church sponsorship	1,997,064	61,648	2,058,712
Disaster response	-	14,371,460	14,371,460
Endowment distributions	4,331,336	3,536,350	7,867,686
Mission Investment Fund	1,625,000	-	1,625,000
Bequests, trusts, and residuums	4,974,101	1,344,849	6,318,950
Grants—corporate and other	67,767	136,771	204,538
Other gifts	5,923,068	3,099,324	9,022,392
Total contributed revenue	<u>59,532,058</u>	<u>43,405,112</u>	<u>102,937,170</u>
Other revenue			
Net return on operating investments	1,911,663	3,124	1,914,787
SPPO offices' revenue	120,095	-	120,095
Services and other revenue	5,294,615	182,269	5,476,884
Lease income	1,821,611	-	1,821,611
Gains on extinguishment of debt, net	5,696,814	-	5,696,814
Total other revenue	<u>14,844,798</u>	<u>185,393</u>	<u>15,030,191</u>
Net assets released from restrictions			
Satisfaction of restrictions (Note 14)	40,929,196	(40,929,196)	-
Income expended from investments held in perpetuity (Note 14)	<u>3,766,598</u>	<u>(3,766,598)</u>	<u>-</u>
Net assets released from restrictions	<u>44,695,794</u>	<u>(44,695,794)</u>	<u>-</u>
Total operating revenue and support	<u>119,072,650</u>	<u>(1,105,289)</u>	<u>117,967,361</u>
Operating expenses			
Program services			
Christian Community Leadership	24,595,086	-	24,595,086
Service and Justice	41,057,578	-	41,057,578
OB, Development	5,735,965	-	5,735,965
Church periodicals	1,066,655	-	1,066,655
Office of the Presiding Bishop	948,765	-	948,765
Innovation	1,432,969	-	1,432,969
SPPO offices' expense	89,278	-	89,278
Total program services	<u>74,926,296</u>	<u>-</u>	<u>74,926,296</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating expenses (Continued)			
Management and general			
Office of the Presiding Bishop	\$ 5,352,341	\$ -	\$ 5,352,341
Office of the Treasurer	9,982,816	-	9,982,816
Office of the Secretary	6,447,416	-	6,447,416
OB, Development	624,512	-	624,512
Total management and general	<u>22,407,085</u>	<u>-</u>	<u>22,407,085</u>
Fundraising			
Development	<u>3,315,680</u>	<u>-</u>	<u>3,315,680</u>
Total fundraising	<u>3,315,680</u>	<u>-</u>	<u>3,315,680</u>
Total operating expenses	<u>100,649,061</u>	<u>-</u>	<u>100,649,061</u>
Net operating revenue and support less operating expenses	18,423,589	(1,105,289)	17,318,300
Non-operating transactions			
Endowment contributions	740	5,941,569	5,942,309
Net investment return on endowment and other deferred gifts	2,216,382	17,673,207	19,889,589
Change in value of beneficial interest in split interest agreements and outside trusts	-	1,120,914	1,120,914
Total non-operating transactions	<u>2,217,122</u>	<u>24,735,690</u>	<u>26,952,812</u>
Changes in net assets	20,640,711	23,630,401	44,271,112
Net assets at beginning of year	<u>123,220,311</u>	<u>402,047,571</u>	<u>525,267,882</u>
Net assets at end of year	<u>\$ 143,861,022</u>	<u>\$ 425,677,972</u>	<u>\$ 569,538,994</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF CASH FLOWS
Years ended January 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (19,018,205)	\$ 44,271,112
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,422,507	2,472,239
Change in fair value of investments	29,542,162	(29,053,412)
Loss (gain) on beneficial interest in perpetual trusts	4,238,642	(1,249,729)
Loss (gain) on change in value of deferred gifts	889,135	(2,293,409)
Gain on extinguishment of debt	-	(7,506,200)
Changes in:		
Accounts receivable	1,442,216	96,145
Interest receivable	(69,246)	67,578
Prepaid expenses and other assets	560,757	463,288
Accounts payable	(1,956,563)	335,279
Deferred revenue	(2,750,460)	2,821,114
Due to/from related organizations	723,480	(1,909,880)
Accrued liabilities	(3,702,919)	3,848,439
Net cash provided by operating activities	<u>12,321,506</u>	<u>12,362,564</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(1,099,379)	(359,060)
Net change on mortgage notes and construction loans	203,341	185,360
Purchase of investments	(3,891,550)	(1,592,204)
Transfer of funds to Endowment Fund Pooled Trust	(3,265,203)	-
Proceeds from sale of investments	<u>4,683,191</u>	<u>10,640,825</u>
Net cash (used in) provided by investing activities	(3,369,600)	8,874,921
Cash flows from financing activities		
Annuities payable	<u>(1,434,642)</u>	<u>(655,340)</u>
Net cash used in financing activities	(1,434,642)	(655,340)
Increase in cash and cash equivalents	7,517,264	20,582,145
Cash and cash equivalents at beginning of year	<u>66,552,968</u>	<u>45,970,823</u>
Cash and cash equivalents at end of year	<u>\$ 74,070,232</u>	<u>\$ 66,552,968</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2023 and 2022

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, 2023 and 2022. 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, 2023 and 2022

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, 2023 and 2022

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2023 and 2022

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

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, 2023 and 2022.

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, 2023 and 2022.

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, 2018. 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. The reclassifications did not affect the net assets or the changes in net assets for all years presented.

NOTE 2 - ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2023 and 2022, were \$5,975,214 and \$5,809,225, 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, 2023 and 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Equity mutual fund	\$ 10,531,870	\$ 15,158,670
Fixed income securities		
U.S. government obligations	16,036,253	13,691,102
Corporate bonds	27,972,804	25,432,434
Term investments	571,347	594,386
Equity securities and physical real estate held at cost	1,354,825	1,731,825
Investments held in EFPT pools	465,218,792	493,284,368
Cash and cash equivalents	1,014,866	1,012,880
	<u>\$ 522,700,757</u>	<u>\$ 550,905,665</u>

The following schedule summarizes the investment return reported in the statement of activities for the years ended January 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Realized investment gains, net	\$ 8,204,027	\$ 13,447,130
Unrealized investment (losses) gains	(37,746,189)	15,606,282
Dividend and interest income	<u>1,082,083</u>	<u>618,650</u>
Investment return, net	<u>\$ (28,460,079)</u>	<u>\$ 29,672,062</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.

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2023 and 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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).

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)

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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, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Equity mutual fund	\$ 10,531,870	\$ -	\$ -	\$ 10,531,870
Fixed income securities				
U.S. government obligations	16,036,253	-	-	16,036,253
Corporate bonds	-	27,972,804	-	27,972,804
Term investments	-	571,347	-	571,347
Cash and cash equivalents	1,014,866	-	-	1,014,866
Investments held at fair value	<u>\$ 27,582,989</u>	<u>\$ 28,544,151</u>	<u>\$ -</u>	<u>56,127,140</u>
Investments at net asset value per share				<u>465,218,792</u>
Total investments at fair value				<u>521,345,932</u>
Equity securities and physical real estate held at cost*				<u>1,354,825</u>
Total investments				<u>\$ 522,700,757</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,326,340</u>	<u>\$ 18,326,340</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,089,038</u>	<u>\$ 12,089,038</u>
	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				<u>493,284,368</u>
Total investments at fair value				<u>549,173,840</u>
Equity securities and physical real estate held at cost*				<u>1,731,825</u>
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>

* Physical real estate investments, comprised of land and buildings held by the Church at cost of \$150,297 and \$527,297 at January 31, 2023 and 2022, 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 \$1,204,528 and \$1,204,528, respectively, at January 31, 2023 and 2022 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, 2021, through January 31, 2023:

Balance as of February 1, 2021	\$ 20,081,297
Unrealized gains	<u>1,619,689</u>
Balance as of January 31, 2022	21,700,986
Unrealized losses	<u>(3,374,646)</u>
Balance as of January 31, 2023	<u><u>\$ 18,326,340</u></u>

The table below rolls forward balances for Level 3 beneficial interest in split-interest agreements from February 1, 2021, through January 31, 2023:

Balance as of February 1, 2021	\$ 19,041,051
Decrease in beneficial interest resulting from:	
Change in value of beneficial interest	<u>(369,960)</u>
Balance as of January 31, 2022	18,671,091
Decrease in beneficial interest resulting from:	
New gifts	120,000
Unrealized losses	(1,839,932)
Terminations	<u>(4,862,121)</u>
Change in value of beneficial interest	<u>(6,582,053)</u>
Balance as of January 31, 2023	<u><u>\$ 12,089,038</u></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% to 10% in high yield fixed income securities, 0% to 10% in U.S. inflation-indexed fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in hedge funds, 0% to 8% in private infrastructure, and 0% to 20% in private markets, with the balance in cash and cash equivalents.

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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, 2022 and 2021 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 2023 is 4%.

NOTE 4 - MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2023 and 2022 are summarized as follows:

	<u>Interest Rate</u>	<u>2023</u>	<u>2022</u>
Partnership support loans to congregations	0%	\$167,021	\$ 265,110

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, 2023 and 2022. 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, 2023 and 2022 is \$287,440 and \$392,692, respectively.

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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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Africa	\$ 36,772	\$ 93,199
Latin America/Caribbean	<u>250,668</u>	<u>299,493</u>
Total overseas construction loans	<u>\$ 287,440</u>	<u>\$ 392,692</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, 2023 and 2022 is presented below:

	<u>2023</u>	<u>2022</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	52,564,361	51,994,321
Furniture and equipment	15,341,229	14,554,705
Work in progress	<u>154,424</u>	<u>325,701</u>
	68,193,014	67,007,727
Less accumulated depreciation	<u>(50,583,028)</u>	<u>(48,074,613)</u>
Totals	<u>\$ 17,609,986</u>	<u>\$ 18,933,114</u>

Depreciation expense for the years ended January 31, 2023 and 2022 was \$2,422,507 and \$2,472,239, 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.

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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, 2023 and 2022, is as follows:

	2023		2022	
	Deferred Revenue	Annuities Payable	Deferred Revenue	Annuities Payable
Charitable gift annuities	\$ -	\$ 2,643,865	\$ -	\$ 3,189,371
Pooled income funds	608,802	-	743,636	-
Life income funds	972	-	984	-
Life income estates	-	-	98,676	-
	<u>\$ 609,774</u>	<u>\$ 2,643,865</u>	<u>\$ 843,296</u>	<u>\$ 3,189,371</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 \$482,554,701 and \$513,173,550 at January 31, 2023 and 2022. These are managed by the ELCA Foundation.

The Church had a net receivable due from related organizations in the amount of \$6,071,398 at January 31, 2023, and \$6,794,878 at January 31, 2022. 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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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, 2023 and 2022 were \$3,624,167 and \$3,629,570, 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 6,000 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 \$82,085,000 and \$88,610,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$58,600,000 and \$81,006,000 at December 31, 2022 and 2021, respectively.

The Church contributed \$0 and \$0 during the fiscal years ended January 31, 2023 and 2022 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 - 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 12 - LINE OF CREDIT

At January 31, 2023 and 2022, 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%. In May of 2023, the bank changed the interest to Base Rate plus 1.00%, where the Base Rate is the greatest of (i) Prime, (ii) Fed Funds plus 0.50%, or (iii) LIBOR + 1.00%. There were no borrowings outstanding under the line of credit at January 31, 2023 and 2022, or during the years then ended.

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NOTE 13 - 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>2023</u>	<u>2022</u>
Region 1 – Northwest	\$ 2,022,072	\$ 2,117,630
Region 2 – Southwest	3,369,484	3,491,076
Region 3 – Northwest Midwest	6,581,281	6,768,165
Region 4 – Southwest Midwest	3,521,256	3,773,642
Region 5 – Northeast Midwest	8,060,168	8,362,318
Region 6 – Southeast Midwest	3,416,667	3,829,617
Region 7 – Northeast	3,810,412	3,921,606
Region 8 – East	3,564,949	3,819,018
Region 9 – Southeast	<u>4,381,271</u>	<u>4,530,650</u>
 Total synod mission support	 <u>\$ 38,727,560</u>	 <u>\$ 40,613,722</u>

NOTE 14 - 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>2023</u>	<u>2022</u>
Satisfaction of program restrictions:		
World Hunger	\$ 23,441,205	\$ 21,656,129
Disaster Relief	15,363,576	9,407,075
Christian Community Leadership	1,969,262	1,706,319
Service and Justice	2,145,995	2,799,183
Office of the Presiding Bishop	4,158,603	2,112,166
Other programs	<u>761,983</u>	<u>3,248,324</u>
Satisfaction of program restrictions	47,840,624	40,929,196
Income expended from investments held in perpetuity	<u>3,619,781</u>	<u>3,766,598</u>
 Total releases from restriction	 <u>\$ 51,460,405</u>	 <u>\$ 44,695,794</u>

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NOTE 15 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
General	\$ 96,529,509	\$ 92,421,214
Funds functioning as endowment (Note 18)	33,828,451	32,506,694
Net investment in property, furniture, equipment and building (Note 6)	<u>17,609,986</u>	<u>18,933,114</u>
Ending balance	<u>\$ 147,967,946</u>	<u>\$ 143,861,022</u>

NOTE 16 - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2023</u>	<u>2022</u>
Program-restricted:		
Disaster Relief	\$ 35,762,707	\$ 26,549,055
World Hunger	12,987,897	13,694,993
Office of the Presiding Bishop	1,236,281	1,066,569
Christian Community Leadership	5,530,220	3,425,478
Service and Justice	8,517,614	9,149,507
Mission Advancement	593,171	828,077
Other Programs	<u>2,080,000</u>	<u>2,517,681</u>
	66,707,890	57,231,360
Time-restricted, expendable in subsequent years	<u>106,810,354</u>	<u>144,759,845</u>
	173,518,244	201,991,205
Investments in perpetuity, the income from which is expendable	216,822,894	210,209,354
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	10,345,414	10,960,668
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>1,866,291</u>	<u>2,516,745</u>
	<u>229,034,599</u>	<u>223,686,767</u>
Total net assets with donor restriction	<u>\$ 402,552,843</u>	<u>\$ 425,677,972</u>

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NOTE 17 - 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 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.

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, 2023 and 2022. At January 31, 2023 and 2022, \$33,828,451 and \$32,506,694 was reported in net assets without donor restrictions. During the year, \$3,740,502 and \$4,127,884 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, 2023 and 2022 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, 2023, 31 of 1,252 accounts had accumulated undistributed earnings. At January 31, 2022, 31 of 1,221 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.

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NOTE 17 - 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, 2023 and 2022:

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds*	\$ -	\$ 320,865,941	\$ 320,865,941
Funds functioning as endowment	<u>33,828,451</u>	<u>-</u>	<u>33,828,451</u>
	<u>\$ 33,828,451</u>	<u>\$ 320,865,941</u>	<u>\$ 354,694,392</u>
	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

* 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 17 - ENDOWMENT FUNDS (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, February 1, 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	32,506,694	355,314,847	387,821,541
Net investment return	(3,322,267)	(31,207,986)	(34,530,253)
New gifts	4,477,398	5,392,423	9,869,821
Net assets released from restriction	3,740,502	(3,740,502)	-
Other changes			
Endowment distribution of income	<u>(3,573,876)</u>	<u>(6,759,132)</u>	<u>(10,333,008)</u>
Total other changes	<u>(3,573,876)</u>	<u>(6,759,132)</u>	<u>(10,333,008)</u>
Net assets, January 31, 2023	<u>33,828,451</u>	<u>318,999,650</u>	<u>352,828,101</u>
Cash surrender value of life insurance	<u>-</u>	<u>1,866,291</u>	<u>1,866,291</u>
Net assets, January 31, 2023	<u>\$ 33,828,451</u>	<u>\$ 320,865,941</u>	<u>\$ 354,694,392</u>

NOTE 18 - 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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2023 and 2022

NOTE 19 - FUNCTIONAL EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Church. The tables below present these functional expenses by their natural classification for the years ended January 31, 2023 and 2022.

	2023			
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 50,444,198	\$ 385,642	\$ 2,500	\$ 50,832,340
Compensation and benefits	19,735,175	12,448,185	4,553,621	36,736,981
Travel	1,645,842	476,093	212,925	2,334,860
Events and conferences	3,100,947	2,303,614	74,688	5,479,249
Office operations	2,849,172	2,784,784	1,393,778	7,027,734
Depreciation	1,058,151	1,126,708	237,648	2,422,507
Occupancy	1,004,740	1,069,837	225,652	2,300,229
Transfers to restricted and designated funds	2,919,659	245,865	(3,165,524)	-
Miscellaneous and expense recovery	<u>1,032,174</u>	<u>1,348,105</u>	<u>(307,680)</u>	<u>2,072,599</u>
	<u>\$ 83,790,058</u>	<u>\$ 22,188,833</u>	<u>\$ 3,227,608</u>	<u>\$ 109,206,499</u>
	2022			
	Program Services	Management and General	Fundraising	Total
Financial support and grants	\$ 44,411,787	\$ 76,710	\$ -	\$ 44,488,497
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	2,653,021	302,388	(2,955,409)	-
Miscellaneous and expense recovery	<u>1,523,504</u>	<u>2,640,809</u>	<u>259,096</u>	<u>4,423,409</u>
	<u>\$ 74,926,296</u>	<u>\$ 22,407,085</u>	<u>\$ 3,315,680</u>	<u>\$ 100,649,061</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 THE FINANCIAL STATEMENTS
January 31, 2023 and 2022

NOTE 20 - 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 74,070,232	\$ 66,552,968
Operating Investments	<u>54,540,928</u>	<u>54,282,206</u>
	<u>\$ 128,611,160</u>	<u>\$ 120,835,174</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 \$33,828,451 and \$32,506,694 in board designated endowments without donor restriction at January 31, 2023 and 2022, respectively. 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 21 - 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. 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 22 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2023, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2023. Management has performed their analysis through June 28, 2023, 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, 2024 and 2023



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2024 and 2023

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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 Evangelical Lutheran Church in America Churchwide Organization (the Church), which comprise the statements of financial position as of January 31, 2024 and 2023, 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, 2024 and 2023, 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 Evangelical Lutheran Church in America Churchwide Organization 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, 2024 and 2023, 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.

(Continued)

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
June 21, 2024

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
January 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 25,092,395	\$ 74,070,232
Accounts receivable (Note 2)	6,373,281	6,860,999
Loans receivable (Notes 4 and 5)	537,704	658,781
Due from related organizations, net (Note 8)	7,588,045	7,354,689
Investments (Note 3)	601,114,379	522,700,757
Prepaid expenses and other assets	7,239,358	7,140,162
Property, furniture, and equipment, net (Note 6)	15,750,911	17,609,986
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	10,778,491	12,089,038
Beneficial interest in perpetual trusts (Note 3)	<u>19,763,485</u>	<u>18,326,340</u>
 Total assets	 <u>\$ 694,238,049</u>	 <u>\$ 666,810,984</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 542,334	\$ 234,123
Deferred revenue	3,637,445	848,681
Due to related organizations, net (Note 8)	1,290,278	1,283,291
Accrued liabilities	5,800,538	3,837,483
Annuities payable (Note 7)	4,948,896	2,643,865
Funds held for others (Note 1)	5,925,920	5,278,076
Funds held for others in perpetuity (Note 1)	<u>108,719,387</u>	<u>102,164,676</u>
Total liabilities	<u>130,864,798</u>	<u>116,290,195</u>
 Net assets		
Without donor restrictions (Note 15)	157,876,584	147,967,946
With donor restrictions (Note 16)	<u>405,496,667</u>	<u>402,552,843</u>
Total net assets	<u>563,373,251</u>	<u>550,520,789</u>
 Total liabilities and net assets	 <u>\$ 694,238,049</u>	 <u>\$ 666,810,984</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Year ended January 31, 2024, with comparative
totals for year ended January 31, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 13)	\$ 37,080,134	\$ -	\$ 37,080,134	\$ 38,727,560
World Hunger Appeal	-	17,366,973	17,366,973	19,130,330
Disaster response	-	13,529,388	13,529,388	23,328,478
Endowment distributions	4,926,144	7,552,957	12,479,101	10,333,008
Mission Investment Fund	1,500,000	-	1,500,000	1,500,000
Bequests, trusts, and residuums	3,462,678	2,438,861	5,901,539	6,740,847
Grants—corporate and other	240,314	1,248,083	1,488,397	3,550,627
Other gifts	6,453,063	1,767,940	8,221,003	12,584,758
Total contributed revenue	<u>53,662,333</u>	<u>43,904,202</u>	<u>97,566,535</u>	<u>115,895,608</u>
Other revenue				
Net return on operating investments	4,151,998	-	4,151,998	(4,063,998)
SPPO offices	341,279	-	341,279	92,219
Services and other revenue	4,686,586	295,984	4,982,570	5,538,350
Lease income	1,041,369	-	1,041,369	1,225,553
Total other revenue	<u>10,221,232</u>	<u>295,984</u>	<u>10,517,216</u>	<u>2,792,124</u>
Net assets released from restrictions				
Satisfaction of restrictions (Note 14)	60,094,376	(60,094,376)	-	-
Income expended from investments held in perpetuity (Note 14)	<u>3,456,320</u>	<u>(3,456,320)</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>63,550,696</u>	<u>(63,550,696)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>127,434,261</u>	<u>(19,350,510)</u>	<u>108,083,751</u>	<u>118,687,732</u>
Operating expenses				
Program services				
Christian Community Leadership	31,237,398	-	31,237,398	28,696,177
Service and Justice	58,140,604	-	58,140,604	51,620,436
Church periodicals	1,003,007	-	1,003,007	1,365,826
Office of the Presiding Bishop	2,281,202	-	2,281,202	1,234,525
Innovation	1,353,525	-	1,353,525	801,143
SPPO offices	108,982	-	108,982	71,951
Total program services	<u>94,124,718</u>	<u>-</u>	<u>94,124,718</u>	<u>83,790,058</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Year ended January 31, 2024, with comparative
totals for year ended January 31, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 6,087,627	\$ -	\$ 6,087,627	\$ 4,846,396
Office of the Treasurer	11,349,682	-	11,349,682	10,682,296
Office of the Secretary	4,903,165	-	4,903,165	6,061,669
Total management and general	22,340,474	-	22,340,474	21,590,361
Fundraising				
Office of the Presiding Bishop	3,877,801	-	3,877,801	3,227,608
Total fundraising	3,877,801	-	3,877,801	3,227,608
Total operating expenses	120,342,993	-	120,342,993	108,608,027
Net operating revenue and support less operating expenses	7,091,268	(19,350,510)	(12,259,242)	10,079,705
Non-operating transactions				
Endowment contributions	1,305,416	9,599,298	10,904,714	9,869,821
Net investment return on endowment and other deferred gifts	1,511,954	12,463,290	13,975,244	(34,729,089)
Change in value of beneficial interest in split interest agreements and outside trusts	-	231,746	231,746	(4,238,642)
Total non-operating transactions	2,817,370	22,294,334	25,111,704	(29,097,910)
Changes in net assets	9,908,638	2,943,824	12,852,462	(19,018,205)
Net assets at beginning of year	147,967,946	402,552,843	550,520,789	569,538,994
Net assets at end of year	\$ 157,876,584	\$ 405,496,667	\$ 563,373,251	\$ 550,520,789

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributed support			
Synod mission support (Note 13)	\$ 38,727,560	\$ -	\$ 38,727,560
World Hunger Appeal	-	19,130,330	19,130,330
Disaster response	-	23,328,478	23,328,478
Endowment distributions	3,573,876	6,759,132	10,333,008
Mission Investment Fund	1,500,000	-	1,500,000
Bequests, trusts, and residuums	3,705,391	3,035,456	6,740,847
Grants—corporate and other	304,304	3,246,323	3,550,627
Other gifts	9,558,058	3,026,700	12,584,758
Total contributed revenue	<u>57,369,189</u>	<u>58,526,419</u>	<u>115,895,608</u>
Other revenue			
Net return on operating investments	(4,063,998)	-	(4,063,998)
SPPO offices' revenue	92,219	-	92,219
Services and other revenue	5,538,350	-	5,538,350
Lease income	1,225,553	-	1,225,553
Total other revenue	<u>2,792,124</u>	<u>-</u>	<u>2,792,124</u>
Net assets released from restrictions			
Satisfaction of restrictions (Note 14)	47,840,624	(47,840,624)	-
Income expended from investments held in perpetuity (Note 14)	<u>3,619,781</u>	<u>(3,619,781)</u>	<u>-</u>
Net assets released from restrictions	<u>51,460,405</u>	<u>(51,460,405)</u>	<u>-</u>
Total operating revenue and support	<u>111,621,718</u>	<u>7,066,014</u>	<u>118,687,732</u>
Operating expenses			
Program services			
Christian Community Leadership	28,696,177	-	28,696,177
Service and Justice	51,620,436	-	51,620,436
Church periodicals	1,365,826	-	1,365,826
Office of the Presiding Bishop	1,234,525	-	1,234,525
Innovation	801,143	-	801,143
SPPO offices' expense	71,951	-	71,951
Total program services	<u>83,790,058</u>	<u>-</u>	<u>83,790,058</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating expenses (Continued)			
Management and general			
Office of the Presiding Bishop	\$ 4,846,396	\$ -	\$ 4,846,396
Office of the Treasurer	10,682,296	-	10,682,296
Office of the Secretary	6,061,669	-	6,061,669
Total management and general	<u>21,590,361</u>	<u>-</u>	<u>21,590,361</u>
Fundraising			
Development	<u>3,227,608</u>	<u>-</u>	<u>3,227,608</u>
Total fundraising	<u>3,227,608</u>	<u>-</u>	<u>3,227,608</u>
Total operating expenses	<u>108,608,027</u>	<u>-</u>	<u>108,608,027</u>
Net operating revenue and support less operating expenses	3,013,691	7,066,014	10,079,705
Non-operating transactions			
Endowment contributions	4,477,398	5,392,423	9,869,821
Net investment return on endowment and other deferred gifts	(3,384,165)	(31,344,924)	(34,729,089)
Change in value of beneficial interest in split interest agreements and outside trusts	<u>-</u>	<u>(4,238,642)</u>	<u>(4,238,642)</u>
Total non-operating transactions	<u>1,093,233</u>	<u>(30,191,143)</u>	<u>(29,097,910)</u>
Changes in net assets	4,106,924	(23,125,129)	(19,018,205)
Net assets at beginning of year	<u>143,861,022</u>	<u>425,677,972</u>	<u>569,538,994</u>
Net assets at end of year	<u>\$ 147,967,946</u>	<u>402,552,843</u>	<u>\$ 550,520,789</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF CASH FLOWS
Years ended January 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 12,852,462	\$ (19,018,205)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,185,042	2,422,507
Change in fair value of investments	(16,930,344)	29,542,162
Contribution restricted for long-term investment	(10,904,714)	(9,869,821)
Loss (gain) on beneficial interest in perpetual trusts	(3,486,334)	4,238,642
Loss on change in value of deferred gifts	2,711,897	889,135
Changes in:		
Accounts receivable	487,718	1,442,216
Interest receivable	204,320	(69,246)
Prepaid expenses and other assets	(99,196)	560,757
Accounts payable	1,053,928	(1,956,563)
Deferred revenue	2,788,764	(2,750,460)
Due to/from related organizations	(226,369)	723,480
Accrued liabilities	1,963,055	(3,702,919)
Net cash provided by (used in) operating activities	<u>(7,399,771)</u>	<u>2,451,685</u>
Cash flows from investing activities		
Purchase and acquisition of equipment	(325,967)	(1,099,379)
Net change on mortgage notes and construction loans	(83,243)	203,341
Purchase of investments	(64,338,605)	(3,891,550)
Investment in the Mission Development Fund Endowment	(1,305,391)	(3,265,203)
Proceeds from sale of investments	13,787,827	4,683,191
Net cash provided by (used in) investing activities	<u>(52,265,379)</u>	<u>(3,369,600)</u>
Cash flows from financing activities		
Annuities payable	(217,401)	(1,434,642)
Proceeds from contribution restricted for long-term investment	10,904,714	9,869,821
Net cash provided by (used in) financing activities	<u>10,687,313</u>	<u>8,435,179</u>
Increase (decrease) in cash and cash equivalents	<u>(48,977,837)</u>	<u>7,517,264</u>
Cash and cash equivalents at beginning of year	<u>74,070,232</u>	<u>66,552,968</u>
Cash and cash equivalents at end of year	<u>\$ 25,092,395</u>	<u>\$ 74,070,232</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

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, 2024 and 2023. Trusteeship of the existing CRTs has been transferred from the Church to the ELCA Foundation, effective February 1, 2018.

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
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January 31, 2024 and 2023

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
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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, 2024 and 2023.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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January 31, 2024 and 2023

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, 2024 and 2023.

Due to its tax-exempt status, the Church is not subject to U.S. federal income tax or state income tax. 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 for consistency of presentation with the current year. The reclassifications did not affect the net assets or the changes in net assets for all years presented.

Recently Adopted Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses Topic 326* ("Topic 326"), which requires entities to measure all expected credit losses for financial instruments held at the reporting date. The Church adopted this standard effective February 1, 2023. The new expected loss measurement model, known as the current expected credit loss ("CECL"), model is based on expected losses rather than incurred losses. Topic 326 is applicable to financial assets measured at amortized cost, such as accounts receivable. It requires historical loss data to be adjusted to reflect changes in asset-specific considerations, current conditions, and reasonable and supportable forecasts of future economic conditions. The expected credit losses are adjusted each financial reporting period for changes in expected lifetime credit losses. The Church adopted Topic 326 using the modified retrospective transition approach, which involves recognizing cumulative effect of the initial adoption of Topic 326 as an adjustment to its opening retained earnings at February 1, 2023. Therefore, comparative information prior to the adoption date has not been adjusted. As a result of adoption of Topic 326, the Church did not recognize an incremental allowance for credit losses on its accounts receivable for the year ended January 31, 2024. The adoption of this standard did not have a significant impact on the Church's financial statements.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 2 – ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2024 and 2023, were \$5,758,755 and \$5,975,214, 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 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, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Exchange Traded Fund (ETF)	\$ 11,469,954	\$ 10,531,870
Fixed income securities		
U.S. government obligations	31,797,740	16,036,253
Corporate bonds	55,210,283	27,972,804
Term investments	587,459	571,347
Equity securities and physical real estate held at cost	1,204,546	1,354,825
Investments held in EFPT pools	497,307,731	465,218,792
Cash and cash equivalents	<u>3,536,666</u>	<u>1,014,866</u>
	<u>\$ 601,114,379</u>	<u>\$ 522,700,757</u>

The following schedule summarizes the investment return reported in the statement of activities for the years ended January 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Realized investment gains, net	\$ 81,418	\$ 8,204,027
Unrealized investment gains (losses)	20,821,061	(37,746,189)
Dividend and interest income	<u>3,111,963</u>	<u>1,082,083</u>
Investment return (loss), net	<u>\$ 24,014,442</u>	<u>\$ (28,460,079)</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.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

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:

Exchange Traded Fund and Equity Mutual Fund: The fair values of exchange traded 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).

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

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 is 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, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
Exchange Traded Fund (ETF)	\$ 11,469,954	\$ -	\$ -	\$ 11,469,954
Fixed income securities				
U.S. government obligations	31,797,740	-	-	31,797,740
Corporate bonds	-	55,210,283	-	55,210,283
Term investments	-	587,459	-	587,459
Cash and cash equivalents	3,536,666	-	-	3,536,666
Investments held at fair value	<u>\$ 46,804,360</u>	<u>\$ 55,797,742</u>	<u>\$ -</u>	<u>102,602,102</u>
Investments at net asset value per share				<u>497,307,731</u>
Total investments at fair value				599,909,833
Equity securities and physical real estate held at cost*				<u>1,204,546</u>
Total investments				<u>\$ 601,114,379</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,763,485</u>	<u>\$ 19,763,485</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,778,491</u>	<u>\$ 10,778,491</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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January 31, 2024 and 2023

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual fund	\$ 10,531,870	\$ -	\$ -	\$ 10,531,870
Fixed income securities				
U.S. government obligations	16,036,253	-	-	16,036,253
Corporate bonds	-	27,972,804	-	27,972,804
Term investments	-	571,347	-	571,347
Cash and cash equivalents	1,014,866	-	-	1,014,866
Investments held at fair value	<u>\$ 27,582,989</u>	<u>\$ 28,544,151</u>	<u>\$ -</u>	<u>56,127,140</u>
Investments at net asset value per share				<u>465,218,792</u>
Total investments at fair value				521,345,932
Equity securities and physical real estate held at cost*				<u>1,354,825</u>
Total investments				<u>\$ 522,700,757</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,326,340</u>	<u>\$ 18,326,340</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,089,038</u>	<u>\$ 12,089,038</u>

* Physical real estate investments, comprised of land and buildings held by the Church at cost of \$0 and \$150,297 at January 31, 2024 and 2023, respectively, were not included in the fair value tables above. Additionally, equity securities, comprised of closely held stock held by the Church at cost, of \$1,204,546 at January 31, 2024 and 2023 were not included in the fair value tables above.

The table below rolls forward balances for Level 3 beneficial interest in perpetual trusts from February 1, 2022 through January 31, 2024:

Balance as of February 1, 2022	\$ 21,700,986
Unrealized losses	<u>(3,374,646)</u>
Balance as of January 31, 2023	18,326,340
Unrealized gains	<u>1,437,145</u>
Balance as of January 31, 2024	<u>\$ 19,763,485</u>

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

The table below rolls forward balances for Level 3 beneficial interest in split-interest agreements from February 1, 2022 through January 31, 2024:

Balance as of February 1, 2022	\$ 18,671,091
Decrease in beneficial interest resulting from:	
New gifts	120,000
Unrealized losses	(1,839,932)
Terminations	<u>(4,862,121)</u>
Change in value of beneficial interest	<u>(6,582,053)</u>
Balance as of January 31, 2023	12,089,038
Decrease in beneficial interest resulting from:	
New gifts	130,795
Unrealized gains	2,049,189
Terminations	<u>(3,490,531)</u>
Change in value of beneficial interest	<u>(1,310,547)</u>
Balance as of January 31, 2024	<u>\$ 10,778,491</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 are 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% to 10% in high yield fixed income securities, 0% to 10% in U.S. inflation-indexed fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in hedge funds, 0% to 8% in private infrastructure, and 0% to 20% in private markets, 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.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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January 31, 2024 and 2023

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2023 and 2022 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 2024 is 4%.

NOTE 4 – MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2024 and 2023 are summarized as follows:

	Interest Rate	<u>2024</u>	<u>2023</u>
Partnership support loans to congregations	0%	\$ 135,736	\$ 167,021

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, 2024 and 2023. 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, 2024 and 2023 is \$401,968 and \$287,440, respectively.

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. The following is a summary of net notes by region for the years ended January 31:

	<u>2024</u>	<u>2023</u>
Africa	\$ 20,297	\$ 36,772
Latin America/Caribbean	<u>381,671</u>	<u>250,668</u>
Total overseas construction loans	<u>\$ 401,968</u>	<u>\$ 287,440</u>

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
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January 31, 2024 and 2023

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, 2024 and 2023 is presented below:

	<u>2024</u>	<u>2023</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	52,553,895	52,564,361
Furniture and equipment	12,782,748	15,341,229
Work in progress	<u>117,622</u>	<u>154,424</u>
	65,587,265	68,193,014
Less accumulated depreciation	<u>(49,836,354)</u>	<u>(50,583,028)</u>
Totals	<u>\$ 15,750,911</u>	<u>\$ 17,609,986</u>

Depreciation expense for the years ended January 31, 2024 and 2023 was \$2,185,042 and \$2,422,507, 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.

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 7 – SPLIT-INTEREST AGREEMENTS (Continued)

A summary of recorded amounts related to these arrangements as of January 31, 2024 and 2023, is as follows:

	2024		2023	
	<u>Deferred Revenue</u>	<u>Annuities Payable</u>	<u>Deferred Revenue</u>	<u>Annuities Payable</u>
Charitable gift annuities	\$ -	\$ 4,948,896	\$ -	\$ 2,643,865
Pooled income funds	604,579	-	608,802	-
Life income funds	<u>961</u>	<u>-</u>	<u>972</u>	<u>-</u>
	<u>\$ 605,540</u>	<u>\$ 4,948,896</u>	<u>\$ 609,774</u>	<u>\$ 2,643,865</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 Church is the beneficiary of endowment, trust and annuity accounts with a fair value of \$508,773,065 and \$482,554,701 at January 31, 2024 and 2023. These are managed by the ELCA Foundation.

The Church had a net receivable due from related organizations in the amount of \$6,297,767 at January 31, 2024, and \$6,071,398 at January 31, 2023. 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.

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, 2024 and 2023 were \$3,587,852 and \$3,624,167, 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 5,060 active or retired members and spouses are eligible or potentially eligible for these subsidies.

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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January 31, 2024 and 2023

NOTE 10 – PENSION AND POST-RETIREMENT MEDICAL BENEFITS (Continued)

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 \$78,790,000 and \$82,085,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$46,715,000 and \$58,600,000 at December 31, 2023 and 2022, respectively.

The Church contributed \$0 during the fiscal years ended January 31, 2024 and 2023 toward the funding of this post-retirement health care benefit. No additional funding in the future is expected based on current projections.

NOTE 11 – 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 12 – LINE OF CREDIT

At January 31, 2024 and 2023, 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 bank's prime commercial rate less .5%. If the loan is not paid when due, an additional 3.0% rate is charged. There were no borrowings outstanding under the line of credit at January 31, 2024 and 2023, or during the years then ended.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 13 – 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>2024</u>	<u>2023</u>
Region 1 – Northwest	\$ 2,013,853	\$ 2,022,072
Region 2 – Southwest	3,394,990	3,369,484
Region 3 – Northwest Midwest	6,276,470	6,581,281
Region 4 – Southwest Midwest	3,362,175	3,521,256
Region 5 – Northeast Midwest	7,594,578	8,060,168
Region 6 – Southeast Midwest	3,383,737	3,416,667
Region 7 – Northeast	3,637,634	3,810,412
Region 8 – East	3,368,752	3,564,949
Region 9 – Southeast	<u>4,047,945</u>	<u>4,381,271</u>
Total synod mission support	<u>\$ 37,080,134</u>	<u>\$ 38,727,560</u>

NOTE 14 – 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>2024</u>	<u>2023</u>
Satisfaction of program restrictions:		
World Hunger	\$ 24,954,809	\$ 23,441,205
Disaster Relief	18,325,596	15,363,576
Christian Community Leadership	3,838,908	1,969,262
Service and Justice	5,529,772	2,145,995
Office of the Presiding Bishop	6,718,118	4,158,603
Other programs	<u>727,173</u>	<u>761,983</u>
Satisfaction of program restrictions	60,094,376	47,840,624
Income expended from investments held in perpetuity	<u>3,456,320</u>	<u>3,619,781</u>
Total releases from restriction	<u>\$ 63,550,696</u>	<u>\$ 51,460,405</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 15 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
General	\$ 105,506,433	\$ 96,529,509
Funds functioning as endowment (Note 17)	36,619,240	33,828,451
Net investment in property, furniture, equipment and building (Note 6)	<u>15,750,911</u>	<u>17,609,986</u>
Ending balance	<u><u>\$ 157,876,584</u></u>	<u><u>\$ 147,967,946</u></u>

NOTE 16 – NET ASSETS WITH DONOR RESTRICTION

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

	<u>2024</u>	<u>2023</u>
Program-restricted:		
Disaster Relief	\$ 31,135,865	\$ 35,762,707
World Hunger	8,234,820	12,987,897
Office of the Presiding Bishop	2,617,688	1,236,281
Christian Community Leadership	3,930,954	5,530,220
Service and Justice	8,149,578	8,517,614
Mission Advancement	368,234	593,171
Other Programs	<u>529,144</u>	<u>2,080,000</u>
	54,966,283	66,707,890
Time-restricted, expendable in subsequent years	<u>100,931,451</u>	<u>106,810,354</u>
	155,897,734	173,518,244
Investments in perpetuity, the income from which is expendable	237,387,228	216,822,894
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	10,321,359	10,345,414
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>1,890,346</u>	<u>1,866,291</u>
	<u>249,598,933</u>	<u>229,034,599</u>
Total net assets with donor restriction	<u><u>\$ 405,496,667</u></u>	<u><u>\$ 402,552,843</u></u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 17 – 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 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.

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, 2024 and 2023. At January 31, 2024 and 2023, \$36,619,240 and \$33,828,451 was reported in net assets without donor restrictions. During the year, \$4,276,549 and \$3,740,502 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 Endowment Fund Pooled Trust ("the Trustee"). The distribution rate reflects the Trustee's consideration of the anticipated returns of the Church ("the Trust") and anticipated changes in the purchasing power of the Trust. The rates established for fiscal years ended January 31, 2024 and 2023 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, 2024, 32 of 1,272 accounts had accumulated undistributed earnings. At January 31, 2023, 31 of 1,252 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 THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 17 – 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, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds*	\$ -	\$ 342,979,162	\$ 342,979,162
Funds functioning as endowment	36,619,240	-	36,619,240
	<u>\$ 36,619,240</u>	<u>\$ 342,979,162</u>	<u>\$ 379,598,402</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds*	\$ -	\$ 320,865,941	\$ 320,865,941
Funds functioning as endowment	33,828,451	-	33,828,451
	<u>\$ 33,828,451</u>	<u>\$ 320,865,941</u>	<u>\$ 354,694,392</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 THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 17 – ENDOWMENT FUNDS (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, February 1, 2022	\$ 32,506,694	\$ 355,314,847	\$ 387,821,541
Net investment return	(3,322,267)	(31,207,986)	(34,530,253)
New gifts	4,477,398	5,392,423	9,869,821
Net assets released from restriction	3,740,502	(3,740,502)	-
Other changes			
Endowment distribution of income	<u>(3,573,876)</u>	<u>(6,759,132)</u>	<u>(10,333,008)</u>
Total other changes	<u>(3,573,876)</u>	<u>(6,759,132)</u>	<u>(10,333,008)</u>
Net assets, February 1, 2023	33,828,451	318,999,650	352,828,101
Cash surrender value of life insurance	<u>-</u>	<u>1,866,291</u>	<u>1,866,291</u>
Adjusted net assets, February 1, 2023	33,828,451	320,865,941	354,694,392
Net investment return	2,134,968	24,319,374	26,454,342
New gifts	1,305,416	9,599,298	10,904,714
Net assets released from restriction	4,276,549	(4,276,549)	-
Other changes			
Endowment distribution of income	<u>(4,926,144)</u>	<u>(7,552,957)</u>	<u>(12,479,101)</u>
Total other changes	<u>(4,926,144)</u>	<u>(7,552,957)</u>	<u>(12,479,101)</u>
Net assets, January 31, 2024	36,619,240	342,955,107	379,574,347
Cash surrender value of life insurance	<u>-</u>	<u>24,055</u>	<u>24,055</u>
Adjusted net assets, January 31, 2024	<u>\$ 36,619,240</u>	<u>\$ 342,979,162</u>	<u>\$ 379,598,402</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 18 – 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. Subsequent to January 31, 2024, Church management became aware of a court decision which could result in a change to an estimate of financial liability related to outstanding legal matters. At this time, management is unable to estimate the amount of the potential liability or the likelihood of an unfavorable outcome. 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 19 – FUNCTIONAL EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Church. The tables below present these functional expenses by their natural classification for the years ended January 31, 2024 and 2023.

	2024			
	Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Financial support and grants	\$ 57,752,301	\$ 61,952	\$ 22,012	\$ 57,836,265
Compensation and benefits	21,084,651	13,573,632	4,640,807	39,299,090
Travel	2,321,887	201,060	161,067	2,684,014
Events and conferences	2,674,156	253,853	19,043	2,947,052
Office operations	3,818,095	2,095,571	1,279,962	7,193,628
Depreciation	954,460	1,016,141	214,441	2,185,042
Occupancy	1,183,139	1,259,794	265,719	2,708,652
Transfers to restricted and designated funds	2,045,143	435,307	(2,480,450)	-
Miscellaneous and expense recovery	<u>2,290,886</u>	<u>3,443,164</u>	<u>(244,800)</u>	<u>5,489,250</u>
	<u>\$ 94,124,718</u>	<u>\$ 22,340,474</u>	<u>\$ 3,877,801</u>	<u>\$ 120,342,993</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE 19 – FUNCTIONAL EXPENSES BY NATURE (Continued)

	2023			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Financial support and grants	\$ 50,444,198	\$ 385,642	\$ 2,500	\$ 50,832,340
Compensation and benefits	19,735,175	12,448,185	4,553,621	36,736,981
Travel	1,645,842	476,093	212,925	2,334,860
Events and conferences	3,100,947	2,303,614	74,688	5,479,249
Office operations	2,849,172	2,784,784	1,393,778	7,027,734
Depreciation	1,058,151	1,126,708	237,648	2,422,507
Occupancy	1,004,740	1,069,837	225,652	2,300,229
Transfers to restricted and designated funds	2,919,659	245,865	(3,165,524)	-
Miscellaneous and expense recovery	<u>1,032,174</u>	<u>749,633</u>	<u>(307,680)</u>	<u>1,474,127</u>
	<u>\$ 83,790,058</u>	<u>\$ 21,590,361</u>	<u>\$ 3,227,608</u>	<u>\$ 108,608,027</u>

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

NOTE 20 – 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 25,092,395	\$ 74,070,232
Operating Investments	<u>100,997,365</u>	<u>54,540,928</u>
	<u>\$ 126,089,760</u>	<u>\$ 128,611,160</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 \$36,619,240 and \$33,828,451 in board designated endowments without donor restriction at January 31, 2024 and 2023, respectively. 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 21 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2024, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2024. See Note 18 for a contingency that resulted subsequent to year end. Management has performed their analysis through June 21, 2024, 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, 2025 and 2024



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

FINANCIAL STATEMENTS
January 31, 2025 and 2024

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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 Evangelical Lutheran Church in America Churchwide Organization (the Church), which comprise the statements of financial position as of January 31, 2025 and 2024, 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, 2025 and 2024, 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 Evangelical Lutheran Church in America Churchwide Organization 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, 2025 and 2024, 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.

(Continued)

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
June 18, 2025

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
January 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 26,117,622	\$ 25,092,395
Accounts receivable (Note 2)	6,167,848	6,373,281
Loans receivable (Notes 4 and 5)	267,635	537,704
Due from related organizations, net (Note 8)	2,743,362	7,588,045
Investments (Note 3)	657,464,201	601,114,379
Prepaid expenses and other assets	7,783,742	7,239,358
Property, furniture, and equipment, net (Note 6)	14,522,388	15,750,911
Beneficial interest in irrevocable, split-interest agreements, held by ELCA Foundation (Note 3)	9,689,310	10,778,491
Beneficial interest in perpetual trusts (Note 3)	<u>20,379,044</u>	<u>19,763,485</u>
 Total assets	 <u>\$ 745,135,152</u>	 <u>\$ 694,238,049</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 237,996	\$ 542,334
Deferred revenue	992,769	3,637,445
Due to related organizations, net (Note 8)	810,652	1,290,278
Accrued liabilities	4,248,201	5,800,538
Annuities payable (Note 7)	2,509,987	4,948,896
Funds held for others (Note 1)	6,978,643	5,925,920
Funds held for others in perpetuity (Note 1)	<u>119,594,385</u>	<u>108,719,387</u>
Total liabilities	<u>135,372,633</u>	<u>130,864,798</u>
 Net assets		
Without donor restrictions (Note 15)	134,864,828	157,876,584
With donor restrictions (Note 16)	<u>474,897,691</u>	<u>405,496,667</u>
Total net assets	<u>609,762,519</u>	<u>563,373,251</u>
 Total liabilities and net assets	 <u>\$ 745,135,152</u>	 <u>\$ 694,238,049</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Year ended January 31, 2025, with comparative
totals for year ended January 31, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support				
Contributed support				
Synod mission support (Note 13)	\$ 35,225,726	\$ -	\$ 35,225,726	\$ 37,080,134
World Hunger Appeal	-	18,512,489	18,512,489	17,366,973
Disaster response	-	16,376,435	16,376,435	13,529,388
Endowment distributions	4,798,472	7,439,476	12,237,948	12,479,101
Mission Investment Fund	1,500,000	-	1,500,000	1,500,000
Bequests, trusts, and residuums	2,870,003	2,178,405	5,048,408	5,901,539
Grants—corporate and other	58,400	4,971,565	5,029,965	1,488,397
Other gifts	7,899,298	2,213,084	10,112,382	8,221,003
Total contributed revenue	<u>52,351,899</u>	<u>51,691,454</u>	<u>104,043,353</u>	<u>97,566,535</u>
Other revenue				
Net return on operating investments	8,135,745	186,431	8,322,176	4,151,998
SPPO offices	123,338	-	123,338	341,279
Services and other revenue	14,088,373	82,792	14,171,165	4,982,570
Lease income	1,045,304	-	1,045,304	1,041,369
Total other revenue	<u>23,392,760</u>	<u>269,223</u>	<u>23,661,983</u>	<u>10,517,216</u>
Net assets released from restrictions				
Satisfaction of restrictions (Note 14)	52,602,602	(52,602,602)	-	-
Transfer of endowments (Note 1)	(28,824,713)	28,824,713	-	-
Income expended from investments held in perpetuity (Note 14)	<u>3,448,411</u>	<u>(3,448,411)</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>27,226,300</u>	<u>(27,226,300)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>102,970,959</u>	<u>24,734,377</u>	<u>127,705,336</u>	<u>108,083,751</u>
Operating expenses				
Program services				
Christian Community Leadership	38,599,839	-	38,599,839	31,237,398
Service and Justice	58,577,276	-	58,577,276	58,140,604
Church periodicals	610,673	-	610,673	1,003,007
Office of the Presiding Bishop	2,256,120	-	2,256,120	2,281,202
Innovation	1,654,426	-	1,654,426	1,353,525
SPPO offices	178,715	-	178,715	108,982
Total program services	<u>101,877,049</u>	<u>-</u>	<u>101,877,049</u>	<u>94,124,718</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF ACTIVITIES
Year ended January 31, 2025, with comparative
totals for year ended January 31, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating expenses (Continued)				
Management and general				
Office of the Presiding Bishop	\$ 6,628,354	\$ -	\$ 6,628,354	\$ 6,087,627
Office of the Treasurer	11,255,344	-	11,255,344	11,349,682
Office of the Secretary	4,876,171	-	4,876,171	4,903,165
Total management and general	<u>22,759,869</u>	<u>-</u>	<u>22,759,869</u>	<u>22,340,474</u>
Fundraising				
Office of the Presiding Bishop	<u>3,112,091</u>	<u>-</u>	<u>3,112,091</u>	<u>3,877,801</u>
Total fundraising	<u>3,112,091</u>	<u>-</u>	<u>3,112,091</u>	<u>3,877,801</u>
Total operating expenses	<u>127,749,009</u>	<u>-</u>	<u>127,749,009</u>	<u>120,342,993</u>
Net operating revenue and support less operating expenses	(24,778,050)	24,734,377	(43,673)	(12,259,242)
Non-operating transactions				
Endowment contributions	4,935	10,046,400	10,051,335	10,904,714
Net investment return on endowment and other deferred gifts	3,332,428	31,260,633	34,593,061	13,975,244
Change in value of beneficial interest in split interest agreements and outside trusts	<u>(1,571,069)</u>	<u>3,359,614</u>	<u>1,788,545</u>	<u>231,746</u>
Total non-operating transactions	<u>1,766,294</u>	<u>44,666,647</u>	<u>46,432,941</u>	<u>25,111,704</u>
Changes in net assets	(23,011,756)	69,401,024	46,389,268	12,852,462
Net assets at beginning of year	<u>157,876,584</u>	<u>405,496,667</u>	<u>563,373,251</u>	<u>550,520,789</u>
Net assets at end of year	<u>\$ 134,864,828</u>	<u>\$ 474,897,691</u>	<u>\$ 609,762,519</u>	<u>\$ 563,373,251</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Contributed support			
Synod mission support (Note 13)	\$ 37,080,134	\$ -	\$ 37,080,134
World Hunger Appeal	-	17,366,973	17,366,973
Disaster response	-	13,529,388	13,529,388
Endowment distributions	4,926,144	7,552,957	12,479,101
Mission Investment Fund	1,500,000	-	1,500,000
Bequests, trusts, and residuums	3,462,678	2,438,861	5,901,539
Grants—corporate and other	240,314	1,248,083	1,488,397
Other gifts	6,453,063	1,767,940	8,221,003
Total contributed revenue	<u>53,662,333</u>	<u>43,904,202</u>	<u>97,566,535</u>
Other revenue			
Net return on operating investments	4,151,998	-	4,151,998
SPPO offices	341,279	-	341,279
Services and other revenue	4,686,586	295,984	4,982,570
Lease income	1,041,369	-	1,041,369
Total other revenue	<u>10,221,232</u>	<u>295,984</u>	<u>10,517,216</u>
Net assets released from restrictions			
Satisfaction of restrictions (Note 14)	60,094,376	(60,094,376)	-
Income expended from investments held in perpetuity (Note 14)	<u>3,456,320</u>	<u>(3,456,320)</u>	<u>-</u>
Net assets released from restrictions	<u>63,550,696</u>	<u>(63,550,696)</u>	<u>-</u>
Total operating revenue and support	<u>127,434,261</u>	<u>(19,350,510)</u>	<u>108,083,751</u>
Operating expenses			
Program services			
Christian Community Leadership	31,237,398	-	31,237,398
Service and Justice	58,140,604	-	58,140,604
Church periodicals	1,003,007	-	1,003,007
Office of the Presiding Bishop	2,281,202	-	2,281,202
Innovation	1,353,525	-	1,353,525
SPPO offices	108,982	-	108,982
Total program services	<u>94,124,718</u>	<u>-</u>	<u>94,124,718</u>

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENT OF ACTIVITIES
Year ended January 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating expenses (Continued)			
Management and general			
Office of the Presiding Bishop	\$ 6,087,627	\$ -	\$ 6,087,627
Office of the Treasurer	11,349,682	-	11,349,682
Office of the Secretary	4,903,165	-	4,903,165
Total management and general	22,340,474	-	22,340,474
Fundraising			
Office of the Presiding Bishop	3,877,801	-	3,877,801
Total fundraising	3,877,801	-	3,877,801
Total operating expenses	120,342,993	-	120,342,993
Net operating revenue and support less operating expenses	7,091,268	(19,350,510)	(12,259,242)
Non-operating transactions			
Endowment contributions	1,305,416	9,599,298	10,904,714
Net investment return on endowment and other deferred gifts	1,511,954	12,463,290	13,975,244
Change in value of beneficial interest in split interest agreements and outside trusts	-	231,746	231,746
Total non-operating transactions	2,817,370	22,294,334	25,111,704
Changes in net assets	9,908,638	2,943,824	12,852,462
Net assets at beginning of year	147,967,946	402,552,843	550,520,789
Net assets at end of year	<u>\$ 157,876,584</u>	<u>\$ 405,496,667</u>	<u>\$ 563,373,251</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
STATEMENTS OF CASH FLOWS
Years ended January 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 46,389,268	\$ 12,852,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,018,326	2,185,042
Change in fair value of investments	(37,435,343)	(16,930,344)
Contribution restricted for long-term investment	(11,893,952)	(10,904,714)
Gain on beneficial interest in perpetual trusts	(1,501,064)	(3,486,334)
(Gain) loss on change in value of deferred gifts	(892,605)	2,711,897
Changes in:		
Accounts receivable	205,433	487,718
Interest receivable	-	204,320
Prepaid expenses and other assets	(406,612)	(99,196)
Accounts payable	(800,057)	1,053,928
Deferred revenue	(2,644,676)	2,788,764
Due to/from related organizations	4,365,057	(226,369)
Accrued liabilities	(1,552,337)	1,963,055
Net cash used in operating activities	(4,148,562)	(7,399,771)
Cash flows from investing activities		
Purchase and acquisition of equipment	(789,803)	(325,967)
Net change on mortgage notes and construction loans	270,069	(83,243)
Purchase of investments	(15,772,428)	(64,338,605)
Investment in the Mission Development Fund Endowment	-	(1,305,391)
Proceeds from sale of investments	9,811,821	13,787,827
Net cash used in investing activities	(6,480,341)	(52,265,379)
Cash flows from financing activities		
Annuities payable	(239,822)	(217,401)
Proceeds from contribution restricted for long-term investment	11,893,952	10,904,714
Net cash provided by financing activities	11,654,130	10,687,313
Increase (decrease) in cash and cash equivalents	1,025,227	(48,977,837)
Cash and cash equivalents at beginning of year	25,092,395	74,070,232
Cash and cash equivalents at end of year	<u>\$ 26,117,622</u>	<u>\$ 25,092,395</u>

See accompanying notes to financial statements.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2025 and 2024

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 (Augsburg Fortress), 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 interests in CRTs and CGAs are included in the Church financial statements for the years ended January 31, 2025 and 2024. Trusteeship of the existing CRTs has been transferred from the Church to the ELCA Foundation, effective February 1, 2018.

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, 2025 and 2024

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, 2025 and 2024

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 is 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, 2025 and 2024.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2025 and 2024

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, 2025 and 2024.

Due to its tax-exempt status, the Church is not subject to U.S. federal income tax or state income tax. 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/Transfer of Endowments: Certain net assets in the Statement of Activities have been reclassified to account for restricted endowments in the current year. The reclassification did not affect total net assets in the Statement of Financial Position for all years presented.

NOTE 2 – ACCOUNTS RECEIVABLE

Included in accounts receivable at January 31, 2025 and 2024, were \$5,231,351 and \$5,758,755, respectively, relating to synods' contributions for mission support, world hunger appeal, and other programs that have been collected subsequent to year end. Interest is not normally charged on receivables. Management reviews all of receivables on an individual basis for collectability and determines whether an allowance is necessary. No allowance for uncollectible amounts 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, 2025 and 2024

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at January 31, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Exchange Traded Fund (ETF)	\$ 11,527,404	\$ 11,469,954
Fixed income securities		
U.S. government obligations	24,080,712	31,797,740
Corporate bonds	53,839,406	55,210,283
Term investments	605,582	587,459
Equity securities and physical real estate held at cost	1,204,546	1,204,546
Investments held in EFPT pools	554,985,521	497,307,731
Cash and cash equivalents	<u>11,221,030</u>	<u>3,536,666</u>
	<u>\$ 657,464,201</u>	<u>\$ 601,114,379</u>

The following schedule summarizes the investment return reported in the statements of activities for the years ended January 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Realized investment gains, net	\$ 1,321,047	\$ 81,418
Unrealized investment gains	38,300,725	20,821,061
Dividend and interest income	<u>3,649,681</u>	<u>3,111,963</u>
Investment return, net	<u>\$ 43,271,453</u>	<u>\$ 24,014,442</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 ("EFPT").

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.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2025 and 2024

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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:

Exchange Traded Fund: The fair values of exchange traded 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 EFPT, 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).

Beneficial Interest in Irrevocable, Split-interest Agreements, held by the Church: The beneficial interest in these agreements is 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, 2025 and 2024

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, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Exchange Traded Fund (ETF)	\$ 11,527,404	\$ -	\$ -	\$ 11,527,404
Fixed income securities				
U.S. government obligations	24,080,712	-	-	24,080,712
Corporate bonds	-	53,839,406	-	53,839,406
Term investments	-	605,582	-	605,582
Cash and cash equivalents	11,221,030	-	-	11,221,030
Investments held at fair value	<u>\$ 46,829,146</u>	<u>\$ 54,444,988</u>	<u>\$ -</u>	<u>101,274,134</u>
Investments at net asset value per share				554,985,521
Total investments at fair value				656,259,655
Equity securities and physical real estate held at cost*				1,204,546
Total investments				<u>\$ 657,464,201</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,379,044</u>	<u>\$ 20,379,044</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,689,310</u>	<u>\$ 9,689,310</u>
	2024			
	Level 1	Level 2	Level 3	Total
Exchange Traded Fund (ETF)	\$ 11,469,954	\$ -	\$ -	\$ 11,469,954
Fixed income securities				
U.S. government obligations	31,797,740	-	-	31,797,740
Corporate bonds	-	55,210,283	-	55,210,283
Term investments	-	587,459	-	587,459
Cash and cash equivalents	3,536,666	-	-	3,536,666
Investments held at fair value	<u>\$ 46,804,360</u>	<u>\$ 55,797,742</u>	<u>\$ -</u>	<u>102,602,102</u>
Investments at net asset value per share				497,307,731
Total investments at fair value				599,909,833
Equity securities and physical real estate held at cost*				1,204,546
Total investments				<u>\$ 601,114,379</u>
Beneficial interest in perpetual trusts, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,763,485</u>	<u>\$ 19,763,485</u>
Beneficial interest in irrevocable split interest agreements, held by ELCA Foundation, fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,778,491</u>	<u>\$ 10,778,491</u>

* Equity securities, comprised of closely held stock held by the Church at cost, of \$1,204,546 at January 31, 2025 and 2024 were not included in the fair value tables above.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2025 and 2024

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, 2023 through January 31, 2025:

Balance as of February 1, 2023	\$ 18,326,340
Unrealized gains	<u>1,437,145</u>
Balance as of January 31, 2024	19,763,485
Unrealized gains	<u>615,559</u>
Balance as of January 31, 2025	<u><u>\$ 20,379,044</u></u>

The table below rolls forward balances for Level 3 beneficial interest in split-interest agreements from February 1, 2023 through January 31, 2025:

Balance as of February 1, 2023	\$ 12,089,038
Decrease in beneficial interest resulting from:	
New gifts	130,795
Unrealized gains	2,049,189
Terminations	<u>(3,490,531)</u>
Change in value of beneficial interest	<u>(1,310,547)</u>
Balance as of January 31, 2024	10,778,491
Decrease in beneficial interest resulting from:	
New gifts	61,433
Unrealized gains	885,504
Terminations	<u>(2,036,118)</u>
Change in value of beneficial interest	<u>(1,089,181)</u>
Balance as of January 31, 2025	<u><u>\$ 9,689,310</u></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 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 are consistent with the values and programs of the ELCA.

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NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The target asset allocation ranges are 20% to 50% in U.S. equity securities, 10% to 40% in Non-U.S. equity securities, 5% to 35% in investment grade fixed income securities, 0% to 10% in high yield fixed income securities, 0% to 5% in U.S. inflation-indexed fixed income securities, 0% to 10% in global real estate securities, 0% to 10% in hedge funds, 0% to 10% in private infrastructure, and 0% to 25% in private markets, 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, 2024 and 2023 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 2025 is 4%.

NOTE 4 – MORTGAGES AND NOTES

Mortgages, notes, and contracts for deed as of January 31, 2025 and 2024, are summarized as follows:

	<u>Interest Rate</u>	<u>2025</u>	<u>2024</u>
Partnership support loans to congregations	0%	\$ 100,030	\$ 135,736

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, 2025 and 2024. 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 balance of overseas church construction loans outstanding as of January 31, 2025 and 2024, is \$167,605 and \$401,968, respectively.

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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. The Church has an allowance of \$50,673 reserved for this loan portfolio. The following is a summary of net notes by region for the years ended January 31:

	<u>2025</u>	<u>2024</u>
Africa	\$ 12,924	\$ 20,297
Latin America/Caribbean	<u>154,681</u>	<u>381,671</u>
Total overseas construction loans	<u>\$ 167,605</u>	<u>\$ 401,968</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, 2025 and 2024, are presented below:

	<u>2025</u>	<u>2024</u>
Land	\$ 133,000	\$ 133,000
Buildings and improvements	52,938,806	52,553,895
Furniture and equipment	13,066,620	12,782,748
Work in progress	<u>238,642</u>	<u>117,622</u>
	66,377,068	65,587,265
Less accumulated depreciation	<u>(51,854,680)</u>	<u>(49,836,354)</u>
Totals	<u>\$ 14,522,388</u>	<u>\$ 15,750,911</u>

Depreciation expense for the years ended January 31, 2025 and 2024, was \$2,018,326 and \$2,185,042, 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.

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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, 2025 and 2024, is as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Deferred Revenue</u>	<u>Annuities Payable</u>	<u>Deferred Revenue</u>	<u>Annuities Payable</u>
Charitable gift annuities	\$ -	\$ 2,509,987	\$ -	\$ 4,948,896
Pooled income funds	556,266	-	604,579	-
Life income funds	<u>946</u>	<u>-</u>	<u>961</u>	<u>-</u>
	<u>\$ 557,212</u>	<u>\$ 2,509,987</u>	<u>\$ 605,540</u>	<u>\$ 4,948,896</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 Church is the beneficiary of endowment, trust and annuity accounts with a fair value of \$565,361,128 and \$508,773,065 at January 31, 2025 and 2024. These are managed by the ELCA Foundation.

The Church had a net receivable due from related organizations in the amount of \$1,932,710 at January 31, 2025, and \$6,297,767 at January 31, 2024. 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.

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, 2025 and 2024 were \$3,804,066 and \$3,587,852, respectively. All contributions to the plan are funded on a current basis.

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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 4,608 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 \$76,199,000 and \$78,789,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$42,922,000 and \$46,715,000 at December 31, 2024 and 2023, respectively.

The Church contributed \$0 during the fiscal years ended January 31, 2025 and 2024, toward the funding of this post-retirement health care benefit. No additional funding in the future is expected based on current projections.

NOTE 11 – COLLECTIONS

The Church's art collections, which were acquired through purchases and contributions, are not recognized as assets on the statements 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 12 – LINE OF CREDIT

At January 31, 2025 and 2024, 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 bank's prime commercial rate less .5%. If the loan is not paid when due, an additional 3.0% rate is charged. There were no borrowings outstanding under the line of credit at January 31, 2025 and 2024, or during the years then ended.

NOTE 13 – 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 nine regions comprising a total of 65 synods.

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NOTE 13 – CONCENTRATIONS OF RISK (Continued)

The following is a summary of the contributions by synods in each of the regions during the years ended January 31:

	<u>2025</u>	<u>2024</u>
Region 1 – Northwest	\$ 1,936,748	\$ 2,013,853
Region 2 – Southwest	3,272,478	3,394,990
Region 3 – Northwest Midwest	6,259,392	6,276,470
Region 4 – Southwest Midwest	3,258,756	3,362,175
Region 5 – Northeast Midwest	6,993,993	7,594,578
Region 6 – Southeast Midwest	3,106,961	3,383,737
Region 7 – Northeast	3,461,459	3,637,634
Region 8 – East	3,221,607	3,368,752
Region 9 – Southeast	<u>3,714,332</u>	<u>4,047,945</u>
Total synod mission support	<u>\$ 35,225,726</u>	<u>\$ 37,080,134</u>

NOTE 14 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes or by transfer of funds consistent with donor intent were as follows during the years ended January 31:

	<u>2025</u>	<u>2024</u>
Satisfaction of program restrictions:		
World Hunger	\$ 24,463,491	\$ 24,954,809
Disaster Relief	20,183,413	18,325,596
Christian Community Leadership	730,218	3,838,908
Service and Justice	2,105,655	5,529,772
Office of the Presiding Bishop	4,861,709	6,718,118
Other programs	<u>258,116</u>	<u>727,173</u>
Satisfaction of program restrictions	52,602,602	60,094,376
Income expended from investments held in perpetuity	3,448,411	3,456,320
Transfer of endowments	<u>(28,824,713)</u>	<u>-</u>
Total releases from restriction	<u>\$ 27,226,300</u>	<u>\$ 63,550,696</u>

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NOTE 15 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
General	\$ 44,654,927	\$ 72,113,161
Funds functioning as endowment (Note 17)	39,956,602	36,619,240
Board designated funds	35,730,911	33,393,272
Net investment in property, furniture, equipment and building (Note 6)	<u>14,522,388</u>	<u>15,750,911</u>
Ending balance	<u>\$ 134,864,828</u>	<u>\$ 157,876,584</u>

NOTE 16 – NET ASSETS WITH DONOR RESTRICTION

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

	<u>2025</u>	<u>2024</u>
Program-restricted:		
Disaster Relief	\$ 28,397,280	\$ 31,135,865
World Hunger	4,450,602	8,234,820
Office of the Presiding Bishop	3,213,381	2,617,688
Christian Community Leadership	4,646,911	3,930,954
Service and Justice	8,299,543	8,149,578
Mission Advancement	623,096	368,234
Other Programs	<u>2,187,436</u>	<u>529,144</u>
	51,818,249	54,966,283
Time-restricted, expendable in subsequent years	<u>136,645,716</u>	<u>100,931,451</u>
	188,463,965	155,897,734
Investments in perpetuity, the income from which is expendable	274,222,021	237,387,228
Deferred gifts that will provide proceeds upon death of annuitant for a permanent endowment	10,221,873	10,321,359
Paid-up life insurance policies that will provide proceeds upon death of insured for permanent endowments	<u>1,989,832</u>	<u>1,890,346</u>
	<u>286,433,726</u>	<u>249,598,933</u>
Total net assets with donor restriction	<u>\$ 474,897,691</u>	<u>\$ 405,496,667</u>

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NOTE 17 – 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 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.

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, 2025 and 2024. At January 31, 2025 and 2024, \$39,956,602 and \$36,619,240, respectively, was reported in net assets without donor restrictions. During the years ended January 31, 2025 and 2024, \$4,121,788 and \$4,276,549, respectively, 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 EFPT ("the Trustee"). The distribution rate reflects the Trustee's consideration of the anticipated returns of the Church ("the Trust") and anticipated changes in the purchasing power of the Trust. The rates established for fiscal years ended January 31, 2025 and 2024, were 4%, respectively, and are normally less than the anticipated total return of the Trust. The distribution unit value is equal to the average of the unit values on December 31 of the five preceding years multiplied by the annual distribution rate.

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.

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.

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NOTE 17 – 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.

Funds with Deficiencies: A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the Church may have individual donor-restricted endowment funds that are underwater. The Church did not have any underwater endowments as of January 31, 2025 and 2024.

Net asset composition by type of endowment fund as of January 31, 2025 and 2024:

2025			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds*	\$ -	\$ 386,228,298	\$ 386,228,298
Funds functioning as endowment	<u>39,956,602</u>	<u>-</u>	<u>39,956,602</u>
	<u>\$ 39,956,602</u>	<u>\$ 386,228,298</u>	<u>\$ 426,184,900</u>
2024			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds*	\$ -	\$ 342,979,162	\$ 342,979,162
Funds functioning as endowment	<u>36,619,240</u>	<u>-</u>	<u>36,619,240</u>
	<u>\$ 36,619,240</u>	<u>\$ 342,979,162</u>	<u>\$ 379,598,402</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 17 – ENDOWMENT FUNDS (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, February 1, 2023	\$ 33,828,451	\$ 320,865,941	\$ 354,694,392
Net investment return	2,134,968	24,319,374	26,454,342
New gifts	1,305,416	9,599,298	10,904,714
Net assets released from restriction	4,276,549	(4,276,549)	-
Other changes			
Endowment distribution of income	(4,926,144)	(7,552,957)	(12,479,101)
Total other changes	<u>(4,926,144)</u>	<u>(7,552,957)</u>	<u>(12,479,101)</u>
Net assets, February 1, 2024	36,619,240	342,955,107	379,574,347
Cash surrender value of life insurance	<u>-</u>	<u>24,055</u>	<u>24,055</u>
Adjusted net assets, February 1, 2024	36,619,240	342,979,162	379,598,402
Net investment return	4,009,111	38,700,109	42,709,220
New gifts	4,935	11,889,017	11,893,952
Net assets released from restriction	4,121,788	(4,121,788)	-
Other changes			
Endowment distribution of income	(4,798,472)	(3,317,688)	(8,116,160)
Total other changes	<u>(4,798,472)</u>	<u>(3,317,688)</u>	<u>(8,116,160)</u>
Net assets, January 31, 2025	39,956,602	386,128,812	426,085,414
Cash surrender value of life insurance	<u>-</u>	<u>99,486</u>	<u>99,486</u>
Adjusted net assets, January 31, 2025	<u>\$ 39,956,602</u>	<u>\$ 386,228,298</u>	<u>\$ 426,184,900</u>

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NOTE 18 – CONTINGENCIES

The Church is party to litigation in various matters arising in the ordinary course of operations. As of January 31, 2025 and 2024, Church management is aware of ongoing legal matters and claims but is unable to estimate the amount of the potential liability or the likelihood of an unfavorable outcome at this time. 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 19 – FUNCTIONAL EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Church. The tables below present these functional expenses by their natural classification for the years ended January 31, 2025 and 2024:

	2025			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Financial support and grants	\$ 56,014,158	\$ 251,327	\$ 6,700	\$ 56,272,185
Compensation and benefits	21,747,505	14,461,853	4,569,535	40,778,893
Travel	2,871,410	410,183	200,731	3,482,324
Events and conferences	10,490,575	557,589	38,789	11,086,953
Office operations	2,672,125	2,347,847	1,326,662	6,346,634
Depreciation	881,605	938,723	197,998	2,018,326
Occupancy	1,033,298	1,100,245	232,066	2,365,609
Transfers to restricted and designated funds	3,215,963	41,291	(3,257,254)	-
Miscellaneous and expense recovery	<u>2,950,410</u>	<u>2,650,811</u>	<u>(203,136)</u>	<u>5,398,085</u>
	<u>\$ 101,877,049</u>	<u>\$ 22,759,869</u>	<u>\$ 3,112,091</u>	<u>\$ 127,749,009</u>

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NOTE 19 – FUNCTIONAL EXPENSES BY NATURE (Continued)

	2024			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Financial support and grants	\$ 57,752,301	\$ 61,952	\$ 22,012	\$ 57,836,265
Compensation and benefits	21,084,651	13,573,632	4,640,807	39,299,090
Travel	2,321,887	201,060	161,067	2,684,014
Events and conferences	2,674,156	253,853	19,043	2,947,052
Office operations	3,818,095	2,095,571	1,279,962	7,193,628
Depreciation	954,460	1,016,141	214,441	2,185,042
Occupancy	1,183,139	1,259,794	265,719	2,708,652
Transfers to restricted and designated funds	2,045,143	435,307	(2,480,450)	-
Miscellaneous and expense recovery	2,290,886	3,443,164	(244,800)	5,489,250
	<u>\$ 94,124,718</u>	<u>\$ 22,340,474</u>	<u>\$ 3,877,801</u>	<u>\$ 120,342,993</u>

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

NOTE 20 – 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>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 26,117,622	\$ 25,092,395
Operating Investments	99,648,728	100,997,365
	<u>\$ 125,766,350</u>	<u>\$ 126,089,760</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 \$39,956,603 and \$36,619,240 in board designated endowments without donor restriction at January 31, 2025 and 2024, respectively. 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 21 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to January 31, 2025, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended January 31, 2025. Management has performed their analysis through June 18, 2025, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.