

**EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS
UNDER UNIFORM GUIDANCE**

January 31, 2021 and 2020



EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION

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INDEPENDENT AUDITOR'S REPORT

The Church Council
Evangelical Lutheran Church in America
Churchwide Organization

Report on the Financial Statements

We have audited the accompanying financial statements of the Churchwide Organization of the Evangelical Lutheran Church in America (the Church), which comprise the statements of financial position as of January 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Churchwide Organization of the Evangelical Lutheran Church in America as of January 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1, the financial statements being presented are only for the Churchwide Organization of the Evangelical Lutheran Church in America and do not include the assets, liabilities and net assets, and the revenue and expenses of the entire Evangelical Lutheran Church in America that are recorded in the accounts of the other organizations of the Evangelical Lutheran Church in America. Accordingly, the accompanying financial statements are not intended to present the financial position of the entire Evangelical Lutheran Church in America as of January 31, 2021 and 2020, or the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Churchwide Organization of the Evangelical Church in America's financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the Church's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Church's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 20, 2021

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

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

See accompanying notes to financial statements.

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

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

(Continued)

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

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

See accompanying notes to financial statements.

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

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

(Continued)

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Evangelical Lutheran Church in America (the ELCA) is a Minnesota nonprofit corporation that functions interdependently with the congregations and synods of the ELCA. The ELCA serves on behalf of and in support of the ELCA's members, congregations, and synods. To fulfill its purpose, the ELCA receives, establishes, and supports congregations and ministries necessary to carry out its mission. The ELCA has constituent Lutheran congregations in 65 synods throughout the United States and the Caribbean. The ELCA's principal source of revenue is contributions.

The accompanying financial statements include all administrative and program offices and units of the Churchwide Organization of the Evangelical Lutheran Church in America (collectively, the Church). These financial statements do not include the accounts of organizations, such as the ELCA Foundation, Board of Pensions (Portico Benefit Services), Mission Investment Fund of the Evangelical Lutheran Church in America (Mission Investment Fund), Publishing House of the Evangelical Lutheran Church in America (1517 Media), Lutheran Men in Mission, Women of the Evangelical Lutheran Church in America, ELCA Federal Credit Union (Credit Union), congregations, synods, schools, cemeteries, homes, seminaries, or any other institution owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between them and the Church (e.g., subsidies, loans, and deposits). These organizations may or may not be separate corporations under civil law and may or may not be under the control of the ELCA; however, each is an operating entity distinct from the Church, maintains separate accounts, carries on its own services and programs, and reports annually to its respective constituency.

Effective January 1, 2018, the Endowment Fund of the Evangelical Lutheran Church in America, doing business as the ELCA Foundation (ELCA Foundation), is a separately incorporated ministry/corporation of the ELCA. This corporation manages the endowments of the ELCA, the Charitable Remainder Trust (CRT), and the Charitable Gift Annuity (CGA) programs. The Church's beneficial interest in CRTs and CGAs are included in the Church financial statements for the years ended January 31, 2021 and 2020. Trusteeship of the existing CRTs has been transferred from the Church to the ELCA Foundation, effective February 1, 2018. The CGAs are being moved from the Church to the ELCA Foundation in stages and in compliance with applicable state regulations.

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

To ensure the observance of limitations and restrictions placed on the use of resources available, the Church maintains its financial accounts in accordance with the principles and practices of fund accounting.

The financial statements focus on the organization as a whole and present balances and transactions classified based upon the existence or absence of donor-imposed restrictions. Net assets, revenue, contributed support, expenses, gains, and losses have been classified into two net asset classes based on these donor-imposed restrictions. A description of each net asset class follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions including the carrying value of all property, furniture, and equipment. Items that affect this category of net assets include contributions and bequests without donor restrictions, contributions with donor restrictions and bequests whose donor-imposed restrictions were met during the fiscal year and investment income whose use is without donor restrictions, as well as all expenses incurred in connection with the operations of the Church. Certain funds, generally set aside by Church Council action, function as endowments and are included in net assets without donor restrictions.

(Continued)

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

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

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Church or the passage of time. Items in this net asset category are contributions, bequests, and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified when such restrictions are met or when time restrictions have expired.

Also included are net assets that are subject to donor-imposed restrictions which require them to be maintained permanently by the Church. Items in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity and only the income be made available for purposes without donor restrictions or with donor restrictions (primarily gifts for endowments and gifts solicited by the Church that will fund perpetual endowments).

Cash and Cash Equivalents: Cash and cash equivalents include investments in money market accounts, commercial paper, and other short-term investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents used by the Church in managing its investments are reported in investments. The Church maintains cash balances at several financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.

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

Beneficial Interest in Perpetual Trusts Administrated by Outside Organizations: The Church has been granted a beneficial interest in various irrevocable trust accounts created under wills or deeds of trust. These trust accounts are administered and held by outside trustees. The Church records the fair value of the beneficial interest as a receivable and as revenue when documentation of the beneficial interest is received.

Investments and Related Income, Gains, and Losses: Investments are reported at fair value, except for certain equity and real estate investments, which are reported at cost. Investments carried at fair value consist primarily of equity mutual funds, corporate and government obligations, term deposit accounts and investments in pools. The cost of securities sold is based on either the specific-identification or average-cost method. Investment income, gains and losses, and any investment-related expenses are recorded net of investment fees as changes in net assets without donor restrictions in the statement of activities unless their use is restricted by explicit donor stipulations.

Property, Furniture, Equipment, and Depreciation: Property, furniture, and equipment are recorded at cost less accumulated depreciation to date. On an ongoing basis, the Church reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. Depreciation is provided over the following useful lives on a straight-line basis:

Building	50 years
Building improvements	10-25 years
Hardware, software and related components	3-5 years
Furniture, fixtures and improvements	5-7 years
Tenant improvements	Lesser of length of lease or useful life
Transportation	5-7 years

(Continued)

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

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

Funds Held for Others: Funds held for others consist of contributions received on behalf of and other resources held for other Lutheran organizations that are separate, nonconsolidated entities. The Church does not have variance power over these funds. In the case of funds held for others in perpetuity, the earnings are distributed per the donor's specifications, but the corpus or principal are held in perpetuity or intact and reflected as a liability of the Church.

Deferred Revenue: Deferred revenue consists of funds received relating to subsequent periods. Additionally, the Church also recognizes its remainder interest in the assets received from donors under pooled income fund agreements and life income fund agreements as contribution revenue in the period in which the assets are received from the donor. The difference between the assets recognized and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest.

Vacation Pay: The Church recognizes vacation pay expense when earned by its non-missionary personnel. The liability for vacation pay of missionary personnel cannot be reasonably estimated, and such amounts are recognized when paid.

Revenue and Expenses: Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributed Support: Contributions, including unconditional promises to give, are recognized in the period received. Conditional contributions are not recognized until the conditions on which they depend are met.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenue of the net asset class with donor restrictions, as appropriate. Contributions of land, buildings, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of net assets without donor restrictions.

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

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

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in Income Taxes: The ELCA follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

The Church recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Church has no amounts accrued for interest or penalties as of January 31, 2021 and 2020.

Due to its tax-exempt status, the Church is not subject to U.S. federal income tax or state income tax. The Church is no longer subject to examination by U.S. federal or state taxing authorities for years before January 31, 2016. The Church does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates.

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

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

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

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 2 - ACCOUNTS RECEIVABLE

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

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

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

	<u>2021</u>	<u>2020</u>
Realized investment gains, net	\$ 7,451,510	\$ 10,996,015
Unrealized investment gains	26,796,573	23,799,201
Dividend and interest income	<u>1,475,337</u>	<u>1,128,662</u>
Investment return, net	<u>\$ 35,723,420</u>	<u>\$ 35,923,878</u>

The Church is a pass-through entity for investment income related to certain deferred gift investments managed and distributed by an external financial institution. In relation to these investments, there were realized gains of approximately \$2,572 and \$10,000 respectively, on investments with donor restrictions for the years ended January 31, 2021 and 2020 with offsetting increases in certain liabilities reported.

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

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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January 31, 2021 and 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

Fair value is the price that would be received for an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Investments that have readily determinable market values are determined using quoted market prices. Fair values of investments for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, appraisals, or pricing models utilizing market-observable inputs from comparable securities.

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

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

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

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

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

(Continued)

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

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

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

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

Term Investments: Demand accounts are estimated to approximate deposit-account balances. Term certificates are estimated to approximate principal amounts plus capitalized interest as of the reporting date. No discounts for credit quality or liquidity were determined to be applicable. Term certificates have varying maturity dates, may be redeemed prior to maturity at the discretion of the Mission Investment Fund, and are subject to an early redemption penalty. (Level 2 inputs – income approach).

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

Beneficial Interests in Trusts: The fair value of beneficial interests in trusts is determined based upon the Church's proportional interest in the fair value of the underlying trust assets. The underlying trust assets are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. This valuation method has been estimated to represent the present value of future distributed income. The liquidation of these assets is contingent upon circumstances that are out of the Church's control and cannot be liquidated on a periodic basis (Level 3 inputs).

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

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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, 2019, through January 31, 2021:

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

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

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

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

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

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

The target asset allocation ranges are 22% to 32% in U.S. equity securities, 25% to 35% in Non-U.S. equity securities, 4% to 14% in investment grade fixed income securities, 0.0% to 10.0% in high yield fixed income securities, 0% to 10% in global real estate securities, 0% to 8% in hedge funds, 0% to 8% in infrastructure, 0% to 20% in private markets, and 0% to 10% in U.S. inflation-indexed securities, with the balance in cash and cash equivalents.

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

Quarterly distributions from the EFPT are made at a rate established annually by the Trustee of the EFPT that reflects the Trustee's consideration of anticipated returns of the EFPT and anticipated changes in the purchasing power of the EFPT. The rate established for the years ended December 31, 2020 and 2019 was 4%. It was applied each year to the average unit value of the assets in the EFPT at December 31 of the five preceding years. The rate established for 2021 is 4%.

NOTE 4 - MORTGAGES AND NOTES

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

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

There is one segment and one class in this portfolio.

Partnership support loans to congregations relate to Partnership Support grants, which are given for new starts, strategic renewal and transformation. Congregations that receive these grants sign a covenant where they agree to return the funds if the congregation leaves the Church.

Concentration of Credit Risk: There are no delinquencies with the mortgage notes as of January 31, 2021 and 2020. The Church does not believe that an allowance is necessary for these mortgage notes. If a Congregation decides to leave and is not able to pay the full amount received, the Church provides the opportunity for them to repay in installments.

NOTE 5 - OVERSEAS CHURCH CONSTRUCTION LOANS

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

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

Concentration of Credit Risk: The loan portfolio consists of one segment and one class. The Church's overseas lending activities are primarily conducted with companion churches. Notes receivable are generally not collateralized with real estate but are secured by the grants from the Church. At January 31, 2021 and 2020, there was no amount past due for a period greater than one year. The following is a summary of notes by region for the years ended January 31:

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

NOTE 6 - PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment are recorded at cost less accumulated depreciation. Details relating to these assets as of January 31, 2021 and 2020 is presented below:

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

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

NOTE 7 - SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities: Charitable gift annuities are arrangements between a donor and the Church in which the donor contributes assets to the Church in exchange for a promise by the Church to pay a fixed amount for the life of the donor or other individuals designated by the donor. Due to state insurance regulations, the assets received are held as segregated assets. The annuity liability is a general obligation of the Church. Assets are recognized at fair value on the date of the contribution. An annuity payment liability is recognized for the present value of future cash flows expected to be paid to the donor or to the designated individual. The discount rate is the appropriate risk adjusted rate on the date of the contract. The 2012 IAR Tables are used to calculate the life expectancies of the annuity beneficiaries. At the death of the donor or designated individual, the book value of the contract is distributed to the Church or related organization either with or without donor restricted use depending upon the donor restrictions.

(Continued)

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, 2021 and 2020, is as follows:

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

Adjustments to the liability, to reflect amortization of the discount and changes in actuarial assumptions are recognized in the statements of activities as a change in the value of split-interest agreements in net assets with donor restrictions.

NOTE 8 - RELATED-PARTY TRANSACTIONS

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

The Church had a net receivable due from related organizations in the amount of \$4,884,998, at January 31, 2021, and a net payable due to related organizations in the amount of \$1,344,338 at January 31, 2020. The net receivable/payable represents monies owed to the ELCA Foundation, related to the transfer to the Charitable Gifts Annuities, offset by expenses related to service level agreements between the Church and certain affiliated organizations for building space, accounting and management services performed on their behalf.

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 9 - DEFINED-CONTRIBUTION PENSION PLAN

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

NOTE 10 - PENSION AND POST-RETIREMENT MEDICAL BENEFITS

Post-Retirement Medical Benefits: Members with service in a predecessor organization may be eligible to receive a post-retirement health contribution subsidy from Portico Benefit Services and in some cases a monthly reimbursement of their SMI (Medicare Part B) premiums. These subsidies are expressed as a percentage of the monthly cost for coverage paid by eligible retirees under the Church Medical and Dental Benefits Plan. Subsidies are based on age or a combination of age and service. Approximately 6,400 active or retired members and spouses are eligible or potentially eligible for these subsidies.

These post-retirement medical subsidies are funded through trust funds set aside for that purpose. The trust funds are held and reported by Portico; additional contributions are made by ELCA entities pursuant to a funding agreement with Portico and participating employers. The full actuarial valuation of the obligation is reported on the financial statements of Portico. Portico financial statements include the trust assets of approximately \$97,499,000 and \$103,493,000, as well as Expected Post-Retirement Benefit Obligation (EPBO) as actuarial liabilities of approximately \$90,929,000 and \$92,258,000 at December 31, 2020 and 2019, respectively.

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

NOTE 11 - LEASES

Operating Leases: The Church leases certain office facilities and equipment under various operating leases. The facilities' leases generally provide for renewal options and include escalator clauses based on increases in real estate taxes and operating expenses. Total rent expenses for operating leases was approximately \$338,323 and \$84,925 for the years ended January 31, 2021 and 2020, respectively.

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

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

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NOTE 12 - COLLECTIONS

The Church's art collections, which were acquired through purchases and contributions, are not recognized as assets on the statement of financial position. The collections represent a wide variety of art mediums: collagraph, etching, intaglio, dry-point engraving, katazome, linocut, oil, serigraph/silk-screen, stained glass, watercolor, and woodcut. The art is intended to share the Gospel visually with many of the pieces having biblical references. Purchases of collection items, if any, are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items, if any, are not reflected on the financial statements. Proceeds from de-accessions or insurance recoveries, if any, are reflected as increases in the appropriate net asset classes.

NOTE 13 - LINE OF CREDIT

At January 31, 2021 and 2020, the Church had a \$10,000,000 unsecured and uncommitted line of credit with no termination date. Interest on outstanding borrowings is charged at the greatest of: (i) the bank's prime commercial rate plus 1.0%; (ii) the quoted federal funds rate in the secondary market plus 1.5%; or (iii) one-month LIBOR plus 2.0%. There were no borrowings outstanding under the line of credit at January 31, 2021 and 2020, or during the years then ended.

NOTE 14 - CONCENTRATIONS OF RISK

The Church's primary sources of revenue are contributions from synods. The synod contributions are dependent upon contributions from the membership of congregations of the ELCA. There are 9 regions comprising a total of 65 synods. The following is a summary of the contributions by synods in each of the regions during the years ended January 31:

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

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows during the years ended January 31:

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

NOTE 16 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

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

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EVANGELICAL LUTHERAN CHURCH IN AMERICA
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January 31, 2021 and 2020

NOTE 17 - NET ASSETS WITH DONOR RESTRICTION

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

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

NOTE 18 - ENDOWMENT FUNDS

Interpretation of Relevant Law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) modernizes the laws governing a not-for-profit organization's investment and management of donor-restricted endowment funds. The Board of Trustees of the ELCA Foundation, serving as the body delegated to manage the Church's endowments, has interpreted UPMIFA as allowing, but not requiring, the preservation of the historic dollar value of the original gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church has chosen to classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

(Continued)

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

NOTE 18 - ENDOWMENT FUNDS (Continued)

In accordance with accounting principles governing not-for-profit organizations subject to an enacted version of UPMIFA, the portions of donor-restricted endowments not classified as net assets with donor restrictions are classified as net assets with donor restrictions until appropriated for expenditure. Realized and unrealized gains and losses on all Church endowments with donor restrictions are being recognized in net assets with donor restrictions, except for unrealized gains and losses on deferred gifts that will provide proceeds upon death of the annuitant for a permanent endowment.

The Church classifies as net assets without donor restrictions all donor-restricted endowment funds where donor stipulation allows for the release of such funds according to an event or time restriction. In the absence of donor stipulations to the contrary, losses on the investment of such a donor-restricted endowment fund reduce net assets with donor restrictions to the extent that the donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss is recorded as a reduction of net assets without donor restrictions.

There were no funds for which the fair value of the assets held was less than the level required by donor stipulation or law at January 31, 2021 and 2020. At January 31, 2021 and 2020, \$30,659,973 and \$27,500,421 was reported in net assets without donor restrictions. During the year, \$4,114,907 and \$4,638,625 has been released from net assets with donor restrictions to net assets without donor restrictions.

Endowment Spending Policies: Endowment pool distributions are made quarterly at a rate established annually by the Trustee. The distribution rate reflects the Trustee's consideration of the anticipated returns of the Trust and anticipated changes in the purchasing power of the Trust. The rates established for fiscal years ended January 31, 2021 and 2020 were 4%, respectively, and is normally less than the anticipated total return of the Trust. The distribution unit value is equal to the average of the unit values on December 31 of the five preceding years multiplied by the annual distribution rate.

Earnings in excess of the distribution rate are allocated among the endowment accounts in proportion to the number of units assigned to each account as undistributed earnings. If the quarterly distribution exceeds the actual dividend, interest, and net realized gains earned in the quarter, the excess is distributed from accumulated undistributed earnings or participant capital. At January 31, 2021, 28 of 1090 accounts had accumulated undistributed earnings. At January 31, 2020, 28 of 1,075 accounts had accumulated undistributed earnings.

In consideration of donor request or intent, certain donor-restricted endowments are invested through instruments held outside of the Trust. Investment income is distributed or reinvested according to the donor-imposed restriction(s) for the usage of endowment distributions.

(Continued)

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

NOTE 18 - ENDOWMENT FUNDS (Continued)

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

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

Net asset composition by type of endowment fund as of January 31, 2021 and 2020:

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

* 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, 2021 and 2020

NOTE 18 - ENDOWMENT FUNDS (Continued)

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

(Continued)

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

NOTE 19 - CONTINGENCIES

The Church is a party to litigation in various matters arising in the ordinary course of operations. Typically, the Church's insurance carriers are defending these matters. Pending litigation will be vigorously defended and, in the opinion of management, is likely to be resolved without any material adverse effect upon the financial statements of the Church.

NOTE 20 - FUNCTIONAL EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Church. The table below presents these functional expenses by their natural classification for the years ended January 31, 2021 and 2020.

	2021			Total
	Program Services	Management and General	Fundraising	
Financial support and grants	\$ 42,460,521	\$ 615,834	\$ 2,210	\$ 43,078,565
Compensation and benefits	25,643,909	11,747,866	2,784,218	40,175,993
Travel	647,368	39,477	37,331	724,176
Events and conferences	1,063,758	125,712	9,921	1,199,391
Office operations	5,023,343	3,037,121	73,558	8,134,022
Depreciation	1,054,416	1,162,832	232,179	2,449,427
Occupancy	964,216	1,063,358	220,540	2,248,114
Transfers to restricted and designated funds	(129,561)	46,105	83,456	-
Miscellaneous and expense recovery	2,886,140	1,628,868	(328,370)	4,186,638
	<u>\$ 79,614,110</u>	<u>\$ 19,467,173</u>	<u>\$ 3,115,043</u>	<u>\$ 102,196,326</u>

	2020			Total
	Program Services	Management and General	Fundraising	
Financial support and grants	\$ 49,283,620	\$ 20,346	\$ -	\$ 49,303,966
Compensation and benefits	27,526,019	9,508,639	2,534,824	39,569,482
Travel	3,149,955	474,537	318,137	3,942,629
Events and conferences	1,722,354	1,571,323	268,434	3,562,111
Office operations	6,321,462	3,054,562	133,132	9,509,156
Depreciation	1,073,471	1,171,514	243,049	2,488,034
Occupancy	1,119,610	1,234,544	256,126	2,610,280
Transfers to restricted and designated funds	(1,966,186)	673,450	1,292,736	-
Miscellaneous and expense recovery	1,652,846	2,630,444	(289,586)	3,993,704
	<u>\$ 89,883,151</u>	<u>\$ 20,339,359</u>	<u>\$ 4,756,852</u>	<u>\$ 114,979,362</u>

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

(Continued)

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

NOTE 21 - LIQUIDITY AND AVAILABILITY

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 45,970,823	\$ 42,183,041
Operating Investments	<u>52,932,772</u>	<u>52,829,372</u>
	<u>\$ 98,903,595</u>	<u>\$ 95,012,413</u>

As part of the Church's liquidity management, the Church invests a portion of its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church had \$30,659,973 and \$27,500,421 in board designated endowments without donor restriction at January 31, 2021 and 2020. While the Church does not have any intention of liquidating the board designated endowments, and they are not currently available for general expenditure, these funds could be made available with Church Council approval.

NOTE 22 - PAYCHECK PROTECTION PROGRAM LOAN (NOTES PAYABLE)

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

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

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

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

(Continued)

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

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

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

NOTE 23 - SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ORGANIZATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended January 31, 2021

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through or Grantor's Number	Sub-Recipient Pass-Through	Federal Expenditures
<u>U.S. Department of Homeland Security</u>				
Through National Voluntary Organizations Active in Disaster				
Award of Cooperative Agreement:				
Project Comeback Harvey	97.088	DR 4322 DCMP	\$ 1,298,204	<u>\$ 1,304,381</u>
Total expenditures of federal awards				<u><u>\$ 1,304,381</u></u>

See accompanying note to schedule of expenditures of federal awards.

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended January 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Churchwide Organization of the Evangelical Lutheran Church in America (the Church) under programs of the federal government for the year ended January 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Because the Schedule presents only a selected portion of the operations of the Church, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Church. The Church has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Church Council
Evangelical Lutheran Church in America
Churchwide Organization

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Churchwide Organization of the Evangelical Lutheran Church in America (the Church), which comprise the statement of financial position as of January 31, 2021 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Church's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Church's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Church's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Church's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 20, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE

The Church Council
Evangelical Lutheran Church in America
Churchwide Organization

Report on Compliance for Each Major Federal Program

We have audited the Churchwide Organization of the Evangelical Lutheran Church in America's (the Church) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Church's major federal programs for the year ended January 31, 2021. The Church's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Church's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Church's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Church's compliance.

Opinion on Each Major Federal Program

In our opinion, the Church complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2021.


Report on Internal Control Over Compliance

Management of the Church is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Church's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Chicago, Illinois
December 20, 2021

EVANGELICAL LUTHERAN CHURCH IN AMERICA
 CHURCHWIDE ORGANIZATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended January 31, 2021

Financial Statements

Type of auditors' report issued		<u>Unmodified</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____ Yes		_____ X _____	No
Significant deficiency identified	_____ Yes		_____ X _____	None Reported
Noncompliance material to financial statements noted?	_____ Yes		_____ X _____	None Reported

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	_____ Yes		_____ X _____	No
Significant deficiency(ies) identified	_____ Yes		_____ X _____	None Reported
Type of auditors' report issued on compliance for major programs		<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)?	_____ Yes		_____ X _____	None Reported

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Number</u>
97.088	Award of Cooperative Agreement: Project Comeback Harvey

Dollar threshold used to distinguish between Type A and Type B programs		\$ <u>750,000</u>		
Auditee qualified as low-risk auditee?	_____ Yes		_____ X _____	No

(Continued)

EVANGELICAL LUTHERAN CHURCH IN AMERICA
CHURCHWIDE ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended January 31, 2021

PART II – FINANCIAL STATEMENT FINDINGS

None

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

PART IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None