

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN
CHURCH IN AMERICA**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

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INDEPENDENT AUDITORS' REPORT

To the Synod Council
New England Synod of the
Evangelical Lutheran Church in America
Worcester, MA

Report on Financial Statements

We have audited the accompanying financial statements of the New England Synod of the Evangelical Lutheran Church in America (the Synod), which comprise the statement of financial position as of January 31, 2017, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

The Synod's financial statements do not disclose the financial position of an interrelated entity. These financial statements only present the financial position, results of activities and cash flows for the Synod. As described in Note 1 to the financial statements, the Synod is financially interrelated with Lutheran Outdoor Ministries of New England, Inc. (LOMNE) and is required to present consolidated financial statements with LOMNE. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the New England Synod of the Evangelical Lutheran Church in America as of January 31, 2017, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Synod's January 31, 2016 financial statements, and we expressed an qualified audit opinion on those audited financials statements in our report dated May 23, 2016. In our opinion, the summarized comparative financial information presented herein as of and for the year ended January 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses by operation on page 19 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 additional 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.

Robert C. Alario, Certified Public Accountants, P.C.

Worcester, MA

May 5, 2017

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016)**

	ASSETS	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 216,381	\$ 88,160
Accounts Receivable	52	43,091
Notes Receivable, Current Portion	41,966	40,874
Prepaid Expenses	20,988	31,970
	<hr/>	<hr/>
Total Current Assets	279,387	204,095
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET	296,331	275,976
	<hr/>	<hr/>
OTHER ASSETS		
Investments	3,072,447	2,951,062
Notes Receivable, Net of Current Portion	354,886	360,791
Remainder Interest Gifts	126,538	121,347
	<hr/>	<hr/>
Total Other Assets	3,553,871	3,433,200
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,129,589</u>	<u>\$ 3,913,271</u>
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 63,488	\$ 36,301
Mission Support Due to the ELCA	207,935	145,661
Grant Commitments Payable	8,650	17,975
Deferred Revenue	19,656	10,710
Agency Funds Payable	40,443	28,943
	<hr/>	<hr/>
Total Current Liabilities	340,172	239,590
	<hr/>	<hr/>
NET ASSETS		
Unrestricted:		
Council Designated for Mission Development Efforts	861,357	904,012
Undesignated	828,326	765,672
Other Council Designations	896,178	823,438
	<hr/>	<hr/>
Total Unrestricted Net Assets	2,585,861	2,493,122
	<hr/>	<hr/>
Temporarily Restricted	897,180	877,646
Permanently Restricted	306,376	302,913
	<hr/>	<hr/>
Total Net Assets	3,789,417	3,673,681
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,129,589</u>	<u>\$ 3,913,271</u>
	<hr/>	<hr/>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
SUPPORT					
Mission Support	\$ 1,846,045	\$ -	\$ -	\$ 1,846,045	\$ 1,861,324
Other Support:					
Contributions	124,264	34,438	-	158,702	150,189
Grants	9,232	-	-	9,232	82,369
	<u>1,979,541</u>	<u>34,438</u>	<u>-</u>	<u>2,013,979</u>	<u>2,093,882</u>
OTHER REVENUE					
Special Events	132,345	-	-	132,345	167,810
Program Fees and Events	72,710	-	-	72,710	25,880
Interest Income	9,490	-	-	9,490	11,516
Other Income	6,851	-	-	6,851	12,112
Trip Fees	6,617	-	-	6,617	21,300
Change in Value of Remainder Interest Gifts	-	5,191	-	5,191	(33,972)
Net Investment Return	236,776	100,731	3,463	340,970	(144,883)
Net Assets Released from Restrictions	120,826	(120,826)	-	-	-
	<u>585,615</u>	<u>(14,904)</u>	<u>3,463</u>	<u>574,174</u>	<u>59,763</u>
Total Other Revenue	<u>585,615</u>	<u>(14,904)</u>	<u>3,463</u>	<u>574,174</u>	<u>59,763</u>
Total Support and Other Revenue	<u>2,565,156</u>	<u>19,534</u>	<u>3,463</u>	<u>2,588,153</u>	<u>2,153,645</u>
EXPENSES					
Program Expenses:					
ELCA Mission Support	592,443	-	-	592,443	978,167
Mission Programs	832,416	-	-	832,416	637,415
Administrative Expenses:					
Ministry and Support	894,211	-	-	894,211	893,128
Special Events and Trips	153,347	-	-	153,347	183,004
	<u>2,472,417</u>	<u>-</u>	<u>-</u>	<u>2,472,417</u>	<u>2,691,714</u>
Total Expenses	<u>2,472,417</u>	<u>-</u>	<u>-</u>	<u>2,472,417</u>	<u>2,691,714</u>
CHANGES IN NET ASSETS	92,739	19,534	3,463	115,736	(538,069)
NET ASSETS, BEGINNING OF YEAR	<u>2,493,122</u>	<u>877,646</u>	<u>302,913</u>	<u>3,673,681</u>	<u>4,211,750</u>
NET ASSETS, END OF YEAR	<u>\$ 2,585,861</u>	<u>\$ 897,180</u>	<u>\$ 306,376</u>	<u>\$ 3,789,417</u>	<u>\$ 3,673,681</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 115,736	\$ (538,069)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization Expense	19,175	16,084
(Gain) Loss on Investments	(230,619)	286,027
Fair Value Adjustment of Remainder Interest Gifts	(5,191)	33,972
Expenses Paid Directly from Investments	10,763	11,510
(Increase) Decrease in Assets:		
Accounts Receivable	43,039	(41,826)
Prepaid Expenses	10,982	3,323
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	27,187	1,149
Mission Support Due to the ELCA	62,274	(30,341)
Grant Commitments Payable	(9,325)	6,321
Deferred Revenue	8,946	(10,906)
Agency Funds Payable	11,500	(30,515)
Net Cash Provided by (Used in) Operating Activities	64,467	(293,271)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(39,530)	(11,036)
Purchases of Investments	(25,000)	(151,824)
Proceeds from Sale of Investments	123,471	313,672
Collection of Notes Receivable	4,813	8,990
Net Cash Provided by Investing Activities	63,754	159,802
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,221	(133,469)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	88,160	221,629
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 216,381	\$ 88,160

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The New England Synod of the Evangelical Lutheran Church in America (the Synod) is a not-for-profit organization organized under the laws of the State of Pennsylvania, and is one of sixty-five autonomous synods of the Evangelical Lutheran Church in America (ELCA). The Synod's constituent congregations reside within the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and the counties of Clinton, Essex and Franklin in the State of New York. The Synod is supported primarily by voluntary contributions from its constituent congregations. In accordance with the Synod's commitment to the church wide agency, a percentage (29% in 2017 and 54% in 2016) of total unrestricted support (mission support) is remitted to the ELCA. Such amounts are used for the broader expression and global mission of the Church.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - The Synod's governing Council also serves as the governing body of Lutheran Outdoor Ministries of New England, Inc. (LOMNE) resulting in control of that organization. Accordingly, the Synod is required to present consolidated financial statements with LOMNE. These financial statements are not consolidated as required by accounting principles generally accepted in the United States of America. Accordingly, these statements are intended solely for the information and use of the Synod council and management. Selected financial information for LOMNE as of January 31, 2017 and 2016 and for the years then ended is summarized as follows:

	<u>2017</u>	<u>2016</u>
Total Assets	\$ 4,883,000	\$ 4,483,000
Total Liabilities	211,000	196,000
Total Net Assets	4,672,000	4,287,000
Total Support and Revenue	3,060,000	2,592,000
Total Expenses	2,670,000	2,632,000

Financial Statement Presentation - The Synod presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted - All resources over which the Synod has discretionary control. The Synod may elect to designate such resources for specific purposes. This designation may be removed at the Synod's discretion.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income and appreciation may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments and relevant state law.

At January 31, 2017 and 2016 there are unrestricted, temporarily restricted and permanently restricted net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Synod's financial statements for the year ended January 31, 2016, from which the summarized information was derived.

Cash and Cash Equivalents - Cash equivalent amounts are invested in a Sweep Investment Account (Sweep Account) collateralized by U.S. Government securities and are not insured nor guaranteed by the FDIC. As of January 31, 2017 and 2016, the balance in the Sweep Account was \$312,424 and \$275,324, respectively.

Property and Equipment - Property and equipment are carried at cost or at fair value as of the date of the gift. Depreciation and amortization are computed using the straight-line method over the assets' useful life.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Any investments which are not readily marketable are carried at estimated fair value as provided by the investment managers. The Synod reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. Investment return, including income, gains and losses, is recorded in unrestricted net assets unless its use is temporarily or permanently restricted by explicit donor stipulations or by law.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds - The Synod's endowment consists of donor restricted funds established to provide scholarships for seminary students and support for the Hammonasset program. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

The Synod has interpreted state law as allowing the utilization of appreciation on permanently restricted assets unless explicit donor stipulations specify how net appreciation must be used. As a result of this interpretation, the Synod classifies as permanently restricted net assets (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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Synod in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Synod may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purpose of the organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the organization; and the investment policies of the organization.

The Synod has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Synod, the endowment assets are invested in an ELCA sponsored managed endowment fund. The Synod expects its endowment assets will provide a spendable return consistent with a long-term goal of preserving the funds in real terms. Actual returns in any given year may vary from this amount.

The Synod has a policy of appropriating for expenditure each year only the actual distributions of the managed investment fund. In establishing this policy, the Synod considered the long-term expected return on its endowment. This is consistent with the Synod's objective to maintain the purchasing power of its endowment assets.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Commitments Payable - Grant commitments payable consists of amounts approved by the Synod to be spent in the development of churches and other mission outreach efforts in the Synod.

Deferred Revenue - Deferred revenue consists primarily of registration fees collected prior to year end for events that will take place in the spring and fall.

Agency Funds Payable - Agency funds payable represent amounts collected from constituent congregations and other donors with instructions to forward the funds to specific organizations.

Contributions, Gifts and Grants - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contribution of assets other than cash are recorded at their estimated fair value on the date of the gift. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction.

Income Tax Status - The Synod is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. Under Internal Revenue Service and state regulations regarding churches, the Synod is not required to file income tax returns in any federal or state jurisdiction.

Functional Expenses - The expenses incurred to provide the various programs and other activities of the Synod have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Donated Services - The Synod receives a significant amount of donated services from unpaid volunteers who assist with special projects. No amounts have been recognized in the statement of activities because these services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - NOTES RECEIVABLE

Notes receivable consists of the following:	<u>2017</u>	<u>2016</u>
Mortgage note receivable, secured by real estate in Bridgeport, Connecticut, due in eighty-four monthly installments of \$1,313 including interest at 4% through May 2021, at which time the balance of the loan is due in full.	\$ 262,879	\$ 267,192
Mortgage note receivable, secured by real estate in Webster, Massachusetts, due in thirty-six monthly installments of \$1,038 including interest at 6% through March 2012, at which time the balance of the loan was due in full. The Synod extended the note for an additional period of time and placed the note on non-accrual status.	99,088	99,588
Note receivable, no security, no terms for repayment.	<u>34,885</u>	<u>34,885</u>
	396,852	401,665
Less: Current Portion	<u>(41,966)</u>	<u>(40,874)</u>
Notes Receivable, Net of Current Portion	<u><u>\$ 354,886</u></u>	<u><u>\$ 360,791</u></u>

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consist of the following at January 31, 2017 and 2016:

	<u>Estimated Useful Lives</u>	<u>2017</u>	<u>2016</u>
Land	-	\$ 16,075	\$ 16,075
Buildings and Improvements	40 years	558,827	530,543
Furniture and Equipment	5-10 years	150,678	139,432
Software	5 years	3,741	3,741
		<u>729,321</u>	<u>689,791</u>
Less: Accumulated Depreciation		<u>(432,990)</u>	<u>(413,815)</u>
Property and Equipment, Net		<u>\$ 296,331</u>	<u>\$ 275,976</u>

NOTE 4 - INVESTMENTS

Investments, which are stated at fair value, are composed of the following at January 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
ELCA Endowment				
Fund Pooled Trust	\$ 1,102,198	\$ 1,637,387	\$ 1,113,026	\$ 1,523,560
Mutual Funds	623,606	1,166,647	724,227	1,162,371
Equities	3,000	7,378	3,000	6,311
Money Market Accounts	261,035	261,035	258,820	258,820
	<u>261,035</u>	<u>261,035</u>	<u>258,820</u>	<u>258,820</u>
Total	<u>\$ 1,989,839</u>	<u>\$ 3,072,447</u>	<u>\$ 2,099,073</u>	<u>\$ 2,951,062</u>

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 4 - INVESTMENTS (Continued)

Investments are included in the following classes of net assets for the years ended January 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donor Restricted Endowment Funds:		
Temporarily Restricted	\$ 136,864	\$ 128,294
Permanently Restricted	306,376	302,913
Temporarily Restricted	491,163	452,390
Unrestricted	<u>2,138,044</u>	<u>2,067,465</u>
 Total	 <u>\$ 3,072,447</u>	 <u>\$ 2,951,062</u>

Investment return is reflected in the financial statements as follows:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 121,114	\$ 152,654
Net Investment Gains	230,619	(286,027)
Management Fees	<u>(10,763)</u>	<u>(11,510)</u>
 Total	 <u>\$ 340,970</u>	 <u>\$ (144,883)</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The Synod follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic No. 820, "Fair Value Measurements". This Topic defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 5 - FAIR VALUE MEASUREMENTS(Continued)

Determination of Fair Value - The Synod uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in some instances, there may be no quoted market prices for the Synod's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair Value Hierarchy - In accordance with ASC Topic 820, the Synod groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Synod's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at January 31, 2017 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 1,166,647	\$ -	\$ -	\$ 1,166,647
Money Market Funds	261,035	-	-	261,035
Equities	7,378	-	-	7,378
ELCA Endowment				
Fund Pooled Trust	-	1,637,387	-	1,637,387
Remainder Interest Gifts	-	-	126,538	126,538

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The Synod's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at January 31, 2016 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 1,162,371	\$ -	\$ -	\$ 1,162,371
Money Market Funds	258,820	-	-	258,820
Equities	6,311	-	-	6,311
ELCA Endowment Fund Pooled Trust	-	1,523,560	-	1,523,560
Remainder Interest Gifts	-	-	121,347	121,347

Level 3 pricing for the remainder interest gifts is based on present value of the estimated future cash flows from these arrangements. The following is a reconciliation of remainder interest gifts in which significant unobservable inputs (Level 3) were used in determining value:

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ 121,347	\$ 155,319
Fair Value Adjustments	<u>5,191</u>	<u>(33,972)</u>
Balance, End of Year	<u>\$ 126,538</u>	<u>\$ 121,347</u>

NOTE 6 - REMAINDER INTEREST GIFTS

The Synod is the beneficiary of various gift annuities. At January 31, 2017 and 2016, the present value of estimated future cash flows from these arrangements totaled \$126,538 and \$121,347, respectively. During the terms of the agreements, the values are subject to adjustments for changes in fair value.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 7 - ENDOWMENT ASSETS

Endowment assets include donor restricted and Synod-designated investments. Changes in endowment assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Assets, February 1, 2015	\$ -	\$ 165,387	\$ 298,810	\$ 464,197
Contributions	-	17,715	-	17,715
Investment Income	-	16,131	4,103	20,234
Unrealized Losses	-	(41,439)	-	(41,439)
Appropriation for Expenditures	-	(29,500)	-	(29,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Endowment Assets, January 31, 2016	-	128,294	302,913	431,207
Contributions	-	17,075	-	17,075
Investment Income	-	15,064	3,463	18,527
Unrealized Gains	-	27,331	-	27,331
Appropriation for Expenditures	-	(50,900)	-	(50,900)
	<hr/>	<hr/>	<hr/>	<hr/>
Endowment Assets, January 31, 2017	<u>\$ -</u>	<u>\$ 136,864</u>	<u>\$ 306,376</u>	<u>\$ 443,240</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2017</u>	<u>2016</u>
Seminarian Scholarships	\$ 158,607	\$ 158,607
Hammonasset Endowment	<u>147,769</u>	<u>144,306</u>
	<hr/>	<hr/>
Total	<u>\$ 306,376</u>	<u>\$ 302,913</u>

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or use for the years ended January 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Congregation Revitalization	\$ 247,525	\$ 232,300
Youth Ministry	243,638	220,090
Remainder Interest Gifts	126,538	121,347
Seminarian Scholarships	105,333	111,548
School of Lay Ministry	76,122	69,359
Hammonasset Endowment	31,531	16,746
Other Mission Programs	23,652	22,988
RI Foundation Gift	15,000	-
Forward Leadership Initiative	12,407	15,000
Stewardship of Life	7,723	8,000
Macedonia Grant	6,211	7,254
Reformation Grant	1,500	-
Individual Support	-	35,227
Continuing Education	-	17,787
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Total	<u>\$ 897,180</u>	<u>\$ 877,646</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows for the years ended January 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Purpose Restrictions Accomplished:		
Seminarian Scholarships	\$ 50,900	\$ 29,500
Individual Support	35,226	-
Continuing Education and Sabbaticals	17,787	12,975
Congregation Revitalization	10,500	2,500
Forward Leadership Initiative	2,593	-
Youth Ministry	2,500	15,880
Macedonia Grant	1,043	485
Stewardship of Life	277	-
Other Mission Programs	-	8,211
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	<u>\$ 120,826</u>	<u>\$ 69,551</u>

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2017 AND 2016**

NOTE 11 - EMPLOYEE BENEFITS

The Synod has a defined contribution benefit plan which covers all eligible employees. The Plan is funded on a current basis and is administered by the ELCA Board of Pensions. Retirement plan expense was \$60,285 and \$55,387 for the years ended January 31, 2017 and 2016, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Synod provides support to LOMNE programs, camperships, and other support. In addition, the Synod has declared its intention to contribute income generated from the Vernal M. Schnabel Trust to LOMNE for its unrestricted use. The related party transactions are summarized as follows:

	<u>2017</u>	<u>2016</u>
Vernal M. Schnabel Trust Income		
Passed Through to LOMNE	\$ 31,782	\$ 30,662
Campership Grants and Support	\$ 10,400	\$ 12,000

NOTE 13 - SUBSEQUENT EVENTS

The Synod has evaluated the financial statement impact of subsequent events occurring through May 5, 2017, the date that the financial statements were available to be issued. The Synod is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN
CHURCH IN AMERICA**

SUPPLEMENTAL SCHEDULE

FOR THE YEAR ENDED JANUARY 31, 2017

**NEW ENGLAND SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULE OF EXPENSES BY OPERATION
FOR THE YEAR ENDED JANUARY 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016)**

	<u>Mission Programs</u>	<u>Ministry and Support</u>	<u>2017</u>	<u>Total 2016</u>
Personnel Expenses:				
Salaries and Wages	\$ 155,021	\$ 463,229	\$ 618,250	\$ 505,673
Employee Benefits	29,438	172,325	201,763	163,416
Payroll Taxes	5,375	15,688	21,063	17,423
	<hr/>	<hr/>	<hr/>	<hr/>
Total Personnel Expenses	189,834	651,242	841,076	686,512
Non-Personnel Expenses:				
Grants and Support	557,106	-	557,106	520,604
Travel, Training and Meetings	57,830	84,181	142,011	126,689
Professional Fees	7,210	77,526	84,736	78,062
Occupancy	-	13,117	13,117	19,415
Depreciation and Amortization	-	19,175	19,175	16,084
Printing and Publications	2,409	5,030	7,439	15,573
Utilities	10,990	5,433	16,423	15,112
Insurance	5,070	8,271	13,341	13,150
Supplies	1,447	5,172	6,619	10,545
Equipment Rental and Maintenance	-	7,120	7,120	8,226
Telephone	46	8,594	8,640	8,196
Bank Charges	-	5,239	5,239	7,635
Postage and Shipping	240	3,396	3,636	3,199
Membership Dues and Fees	-	637	637	908
Other Expenses	234	78	312	633
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Personnel Expenses	642,582	242,969	885,551	844,031
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 832,416</u>	<u>\$ 894,211</u>	<u>\$ 1,726,627</u>	<u>\$ 1,530,543</u>

See Independent Auditors' Report on Supplementary Information.