NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

FINANCIAL STATEMENTS

December 31, 2015

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

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December 31, 2015

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Synod Council of the
New Jersey Synod of the Evangelical Lutheran Church in America

Report on the Financial Statements

We have audited the accompanying financial statements of New Jersey Synod of the Evangelical Lutheran Church in America (the "Synod") which comprise the statement of financial position as of December 31, 2015, 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 audit. We conducted our audit 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 of 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 auditors' 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of December 31, 2015, and the 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercadien, P.C.
Certified Public Accountants

April 11, 2016

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Totals
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,639,762	$ 258,975	$ -	$ 1,898,737	$ 1,356,954
Investments	1,401,116	-	-	1,401,116	1,287,073
Staff advances	750	-	-	750	750
Grants receivable	1,737	-	-	1,737	-
Accounts receivable	9,224	-	-	9,224	-
Loans receivable, current	33,971	-	-	33,971	43,488
Mortgages receivable, current	760,768	-	-	760,768	820,931
Prepaid expenses	12,032	-	-	12,032	63,910
Total Current Assets	3,859,360	258,975	-	4,118,335	3,573,106
Other Assets					
Restricted cash	80,937	-	-	80,937	80,862
Loans receivable	334,214	-	-	334,214	425,075
Mortgages receivable	36,000	-	-	36,000	36,000
Investments	907,446	2,438,730	476,567	3,822,743	4,057,441
Synod House property and equipment	529,775	-	-	529,775	564,303
Land and Property held by Synod	2,413,169	-	-	2,413,169	2,392,949
Equity in Cross Roads Outdoor Ministries	1,872,633	-	-	1,872,633	1,876,065
Other assets	17,864	-	-	17,864	17,374
Total Assets	$10,051,398	$ 2,697,705	$ 476,567	$13,225,670	$13,023,175
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accrued expenses and other liabilities	$ 3,671	$ -	$ -	$ 3,671	$ 9,908
Grants payable	53,908	-	-	53,908	40,975
Total Current Liabilities	57,579	-	-	57,579	50,883
Net Assets					
Unrestricted					
Cross Roads Outdoor Ministries	1,872,633	-	-	1,872,633	1,876,065
Board designated	5,178,242	-	-	5,178,242	4,769,650
Net investment in property, plant and equipment	2,942,944	-	-	2,942,944	2,957,252
Total unrestricted	9,993,819	-	-	9,993,819	9,602,967
Temporarily restricted	-	2,697,705	-	2,697,705	2,892,758
Permanently restricted	-	-	476,567	476,567	476,567
Total Net Assets	9,993,819	2,697,705	476,567	13,168,091	12,972,292
Total Liabilities and Net Assets	$10,051,398	$ 2,697,705	$ 476,567	$13,225,670	$13,023,175

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015						2014*
	Unrestricted						
	Operations	Designated And Other Funds	Total	Temporarily Restricted	Permanently Restricted	Total	Totals
Support and revenue							
Support from congregations							
Commitment	$ 2,096,278	$ -	$ 2,096,278	$ -	$ -	$ 2,096,278	$ 2,104,772
Total support	2,096,278	-	2,096,278	-	-	2,096,278	2,104,772
Revenue							
Other contributions and gifts	308,436	300,689	609,125	25,981	-	635,106	960,383
Grant revenue	-	23,750	23,750	-	-	23,750	-
Rental income	-	43,200	43,200	-	-	43,200	72,990
Investment income	15,303	153,358	168,661	-	-	168,661	167,362
Gain on sale of property	-	1,829,504	1,829,504	-	-	1,829,504	1,246,799
Assembly income	51,886	-	51,886	-	-	51,886	45,018
Total revenue	375,625	2,350,501	2,726,126	25,981	-	2,752,107	2,492,552
Net assets released from restrictions	-	221,034	221,034	(221,034)	-	-	-
Total support and revenue	2,471,903	2,571,535	5,043,438	(195,053)	-	4,848,385	4,597,324
Expenses							
Synod program services							
Churchwide and ministry partners	1,316,541	-	1,316,541	-	-	1,316,541	1,243,533
Strengthening congregations	385,600	-	385,600	-	-	385,600	368,079
Outreach for congregations	119,148	-	119,148	-	-	119,148	48,716
Office of the Bishop	303,444	-	303,444	-	-	303,444	335,321
Oversight of the mission plan	339,111	-	339,111	-	-	339,111	337,307
Communications	76	-	76	-	-	76	-
Total Synod program services	2,463,920	-	2,463,920	-	-	2,463,920	2,332,956
Supporting services							
Designated support	-	865,171	865,171	-	-	865,171	999,536
Mission ministries	-	1,694,042	1,694,042	-	-	1,694,042	936,906
Depreciation	-	53,564	53,564	-	-	53,564	46,826
Total supporting services	-	2,612,777	2,612,777	-	-	2,612,777	1,983,268
Total expenses	2,463,920	2,612,777	5,076,697	-	-	5,076,697	4,316,224

* Reclassified to conform to the current year presentation.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015						2014*
	Unrestricted						
	Operations	Designated And Other Funds	Total	Temporarily Restricted	Permanently Restricted	Total	Totals
Excess (deficit) of Support and Revenue over expenses	7,983	(41,242)	(33,259)	(195,053)	-	(228,312)	281,100
Other changes							
Realized and unrealized gain on investments	-	408,536	408,536	-	-	408,536	582,490
Equity in earnings of Cross Roads Outdoor Ministries	-	15,575	15,575	-	-	15,575	(15,746)
Transfers	(7,983)	7,983	-	-	-	-	-
Change in net assets	-	390,852	390,852	(195,053)	-	195,799	847,844
Net assets, beginning of year	-	9,602,967	9,602,967	2,892,758	476,567	12,972,292	12,124,448
Net assets, end of year	$ -	$ 9,993,819	$ 9,993,819	$ 2,697,705	$ 476,567	$ 13,168,091	$ 12,972,292

* Reclassified to conform to the current year presentation.

See notes to financial statements.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF CASH FLOWS
Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 195,799	$ 847,844
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation	53,564	46,826
Gain on sale of property	(1,829,504)	(1,246,799)
Realized gain on investments	(220,702)	(206,310)
Unrealized gain on investments	(187,834)	(376,180)
Equity in earnings of Cross Roads Outdoor Ministries	(15,575)	15,746
Mortgage receivable forgiveness	-	62,096
Changes in assets and liabilities		
Accounts receivable	(9,224)	-
Grants receivable	(1,737)	-
Restricted cash	(75)	(75)
Loans receivable	100,378	(164,128)
Prepaid expenses	51,878	405
Other assets	(490)	(473)
Accrued expenses and other liabilities	(6,237)	(7,063)
Grants payable	12,933	(18,754)
Net cash from operating activities	(1,856,826)	(1,046,865)
Cash Flows from Investing Activities		
Purchases of property, equipment and land improvements	(50,745)	(232,716)
Sale (purchase) of investments, net	529,191	(251,928)
Proceeds from sale of property	1,860,000	1,350,000
Proceeds from property mortgaged	-	(3,915)
Collections of mortgages receivable	60,163	322,229
Contribution to Cross Roads Outdoor Ministries	-	(250,000)
Net cash from investing activities	2,398,609	933,670
Cash Flows from Financing Activities		
Repayments of loans payable	-	(211,227)
Net change in cash	541,783	(324,422)
Cash, beginning of year	1,356,954	1,681,376
Cash, end of year	$ 1,898,737	$ 1,356,954
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ -	$ 5,271
Supplemental schedule of noncash investing activities		
Issuance of mortgages	$ -	$ (3,915)
Mortgage receivable forgiveness	$ -	$ 62,096

A. NATURE OF ORGANIZATION

The New Jersey Synod of the Evangelical Lutheran Church in America, (the "Synod"), is one of sixty-five geographical synodical units of the Evangelical Lutheran Church in America (the "ELCA"). The Synod lies within Region 7 of the ELCA and is comprised of 172 congregations. The Synod relies primarily on annual mission support gifts from these congregations. The Synod Assembly, whose voting members include lay representatives from New Jersey congregations, clergy, associates in ministry and deaconesses, is the Synod's highest legislative authority. The Synod Assembly elects the Synod Council, Bishop, Vice-President, Secretary, and voting members to the ELCA Churchwide Assembly. The Treasurer is elected by the Synod Council.

The Synod Council appoints Mission Teams and recommends program goals and budgets, and carries out the resolutions of the Synod Assembly. It issues letters of call to ordained ministers and to associates in ministry, deaconesses and diaconal ministers. The programs and supporting services of the Synod are included in the statement of activities.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Synod have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

In accordance with the consistent practice of the Synod, income for the year includes apportionments received from congregations applicable to the current year that are deposited in January of the subsequent year. Similarly, payments for grants and other expenses that are dependent on the availability of income from congregations are disbursed in the succeeding January and recorded as incurred in the current year.

The Synod is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes. Unrestricted net assets include both designated and undesignated funds.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Synod Council and/or by the passage of time.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Synod. Generally, the donors of these assets permit the Synod to use all or part of the income earned on related investments for general or donor-specified purposes.

Comparative Financial Information

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Synod's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of ninety days or less. In addition, the statement of cash flows excludes permanently restricted cash.

Accounts Receivable

Accounts receivable primarily relate to costs due to the Synod in relation to a partnership agreement with the Lutheran Episcopal Advocacy Ministry of New Jersey ("LEAMNJ"). The Synod considers all accounts receivable to be fully collectible; accordingly, no allowances for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Investments

Investments are stated at fair value in the statement of financial position. All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investment in Unconsolidated Affiliate

The Synod accounts for its equity investment in Cross Roads Outdoor Ministries under the equity method. Under the equity method, the investment is initially recorded at cost and is subsequently adjusted for the Synod's share of earnings or losses of the affiliate.

Property and Equipment

Land, buildings, furniture, equipment and transportation equipment are recorded at cost, except for donated items, which are recorded at their fair market values on the dates of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Furniture and equipment	3 years
Transportation equipment	3 years

Repairs and maintenance, which do not extend the useful lives of the related assets, are expensed as incurred.

Land and Property Held by the Synod

Land and property held by the Synod is property that has been transferred from a congregation generally due to a disbanded congregation or financial difficulties. The Synod capitalizes costs incurred in connection with holding and improving the property and expects reimbursement of such costs when the property is either transferred back to another congregation or is sold.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Synod that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The Synod has not received any unconditional promises to give.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the periods received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the periods received.

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are reclassified to unrestricted or temporarily restricted net assets and are reported in the statement of activities as net assets released from restrictions.

Grant revenue is a result of a reimbursable grant agreement with Lilly Endowment Inc. The Synod has partnered with the Southwestern Minnesota Synod ELCA as part of the grant agreement. Grant revenue is recognized at the time grant related expenditures are incurred.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period during which the income gains are recognized.

Income Taxes

As a result of its affiliation with ELCA, the Synod is a religious organization and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Contributions Expense

Contributions are recognized as an expense in the period the contributions are made. Such contributions are recorded at the fair value of assets given.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date,* which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. The updated standard will be effective for the Synod for the year ending December 31, 2019. The Synod has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring an entity (lessee) that leases assets for a term exceeding a one year period to recognize a right-of-use asset and corresponding lease liability on the balance sheet. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 introduces limited changes to the lessor accounting model, none of which rise to the same level of significance as the changes made to the lessee accounting model. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing, and uncertainty for the payments they make for lease agreements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. ASU 2016-02 will be effective for the Synod for the year ending December 31, 2020. The Synod is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

Subsequent Events

Management has evaluated events for potential recognition and disclosure that occurred after December 31, 2015, but before April 11, 2016, the date the financial statements were available to be issued. Other than the items disclosed in Footnotes F and G, no subsequent events were determined by management to require disclosure.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

C. LAND AND PROPERTY HELD BY THE SYNOD

Property held by the Synod at December 31, 2015 and 2014, consists of the following:

	2015	2014
Property held by Synod		
Cross of Life Lutheran Church, Plainfield, NJ (1)	$ 97,950	$ 96,778
St. Johns, Hoboken, NJ (2)	561,884	557,644
Hansen Parsonage, Linden, NJ (3)	318,992	318,131
Elizabeth Lutheran Center (ELC) Church, Elizabeth, NJ (4)	565,773	562,067
ELC Parsonage, Elizabeth, NJ (5)	122,070	121,616
ELC Parish Hall, Elizabeth, NJ (6)	123,216	118,583
Bridge of Peace, Camden, NJ (7)	172,930	159,841
Land, Jackson, NJ (8)	415,780	407,819
Townsend's Inlet, Sea Isle, NJ (9)	34,574	23,385
Maywood, Redeemer (10)	-	27,085
	$ 2,413,169	$ 2,392,949

C. LAND AND PROPERTY HELD BY THE SYNOD (CONTINUED)

(1) The Synod currently has an agreement in place to transfer the property to a congregation once the Synod has been reimbursed for all capital expenditures.

(2) The Synod is currently leasing this property to the Hoboken Shelter (a housing mission agency) as well as being leased to St. John the Baptist, Hoboken.

(3) This property is used as a parsonage for the Pilgrim Journey congregation lay leader. The Synod is seeking to sell the property.

(4) The Synod has converted this church to the Elizabeth Lutheran Center ("ELC") church. The ELC Church is used by Santa Isabel mission congregation.

(5) The ELC Parsonage is used by the pastor of the Santa Isabel congregation.

(6) The ELC Parish Hall is currently used by Santa Isabel congregation for community fellowship and is used by community support groups.

(7) Bridge of Peace congregation transitioned from a mission ministry to an organized congregation in May 2007. The Synod continues to own the property and assist the congregation.

(8) Land was purchased in 2007 for a New Jersey Synod Mission Congregation. The Synod is seeking to sell the property.

(9) The Synod became the Trustee to the Townsend's Inlet property in 2014. A congregation uses the property for summer worship.

(10) Congregation closed in January 2014. The property was sold in January 2015.

D. INVESTMENTS

Investments are stated at fair value and consist of certificates of deposit, corporate bonds, corporate stocks and fixed income investments invested in the Mission Investment Fund ("MIF") with the ELCA.

The table below sets forth a summary of changes in the fair value of the Synod's investments for the years ended December 31, 2015 and 2014:

	December 31,					
	2015			2014		
Current Investments	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Depreciation
Certificates of deposit	$ 700,000	$ 700,125	$ 125	$ 700,000	$ 699,997	$ (3)
Corporate bonds	758,067	700,991	(57,076)	632,448	587,076	(45,372)
	$ 1,458,067	$ 1,401,116	$ (56,951)	$ 1,332,448	$ 1,287,073	$ (45,375)

	December 31,					
	2015			2014		
Other Investments	Cost	Fair Value	Unrealized Appreciation	Cost	Fair Value	Unrealized Appreciation
Corporate stocks	$ 2,982,350	$ 3,237,348	$ 254,998	$ 2,819,133	$ 3,478,649	$ 659,516
MIF fixed income investments	585,395	585,395	-	578,792	578,792	-
	$ 3,567,745	$ 3,822,743	$ 254,998	$ 3,397,925	$ 4,057,441	$ 659,516

D. INVESTMENTS (CONTINUED)

During 2014, the Synod Council used operating funds to purchase investments in FDIC-insured, short-term certificates of deposit. The short-term certificates of deposit had original maturities in excess of 90 days, and are included in investments above.

E. FAIR VALUE MEASUREMENT

Fair value 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. In determining fair value, the Synod uses various methods including market, income and cost approaches. Based on these approaches, the Synod often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Synod utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Synod is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Synod believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended December 31, 2015 and 2014, there were no changes to the Synod's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity, Fixed Income and Bond Securities - The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

E. FAIR VALUE MEASUREMENT (CONTINUED)

Assets measured at fair value on a recurring basis at December 31, 2015 and 2014, were as follows:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ -	$ 700,125	$ -	$ 700,125
Corporate bonds	700,991	-	-	700,991
Fixed income	-	585,395	-	585,395
Equities	3,237,348	-	-	3,237,348
Total investments, at fair value	$ 3,938,339	$ 1,285,520	$ -	$ 5,223,859

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ -	$ 699,997	$ -	$ 699,997
Corporate bonds	587,076	-	-	587,076
Fixed income	-	578,792	-	578,792
Equities	3,478,649	-	-	3,478,649
Total investments, at fair value	$ 4,065,725	$ 1,278,789	$ -	$ 5,344,514

F. LOANS RECEIVABLE

The Synod had the following loans receivable:

	2015	2014
Cross Roads Camp and Retreat Center, Port Murray, NJ		
Principal of $292,536 at 4.5% interest, due November 8, 2029 (1)	$ 276,169	$ 291,196
Transformational Ministry Loans		
Various principal amounts at 1.0% interest, with various final maturity dates through December 10, 2024	92,016	177,367
Total	$ 368,185	$ 468,563

(1) Original loan agreement was for principal of $200,000 at 5.0% interest, due April 8, 2031. In November 2014, the loan agreement was amended to reflect the terms above.

Total maturities of loans receivable for the years ending December 31, are as follows:

2016	$ 33,971
2017	30,717
2018	28,266
2019	29,126
2020	28,090
Thereafter	218,015
Total	$ 368,185

F. LOANS RECEIVABLES (CONTINUED)

On February 28, 2016 the Synod issued a loan to St. John Lutheran Church in Jersey City, NJ. The loan was for a principal amount of $40,000 and is to be used for the purpose of renovating the parsonage. The money is to be repaid, with no interest, at such a time that the parsonage is sold.

On March 14, 2016, the Synod issued a loan to Resurrection Lutheran Church in Hamilton Square, NJ. The loan was for a principal amount of $50,000, with interest at a rate of 1% per annum. Monthly principal payments of $438 are due for 120 months beginning on April 14, 2016.

G. MORTGAGES RECEIVABLE

The Synod had the following mortgage receivables:

	2015	2014
Dunamis Life Church, Camden, NJ		
$36,000 at 5.0% interest, due February 12, 2025 (1)	$ 36,000	$ 36,000
Macedonia Baptist Church,Westville, NJ		
$720,000 at 5.0% interest, due April 13, 2016 (2)	673,853	686,516
Holy Trinity Baptist Church of New Jersey, Inc., Trenton, NJ		
$86,915 at 0.0% interest, due April 23, 2016 (3)	86,915	134,415
Total	$ 796,768	$ 856,931

(1) Mortgage receivable was amended in August 2014. Under the amended agreement, the principal of the mortgage was reduced to $36,000, and the maturity date was extended to February 12, 2025. Under the terms of the agreement, payments are interest only until the maturity date.

(2) Mortgage receivable was amended in December 2015. Under the amended agreement, the maturity date was extended to April 13, 2016.

(3) Mortgage receivable was amended in December 2015. Under the amended agreement, the principal of the mortgage was $86,915, the interest rate was reduced from 3% to 0%, and the maturity date was extended to March 23, 2016. Subsequent to December 31, 2015, the agreement was amended to extend the due date to April 23, 2016.

Total maturities of mortgages receivable for the years ending December 31, are as follows:

2016	$ 760,768
2017	-
2018	-
2019	-
2020	-
Thereafter	36,000
Total	$ 796,768

H. SYNOD HOUSE PROPERTY AND EQUIPMENT

Synod House property and equipment consists of the following:

	December 31,	
	2015	2014
Buildings and improvements	$ 619,398	$ 619,398
Furniture and equipment	53,870	53,870
Transportation equipment	70,213	70,213
Subtotal	743,481	743,481
Accumulated depreciation and amortization	213,706	179,178
Total	$ 529,775	$ 564,303

I. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available to support activities for the following funds:

	December 31, 2015	December 31, 2014
Designated Support		
Danish Home Fund Interest	$ 1,894	$ 3,162
Franklin Fry Chair Fund	34,480	35,308
Brueckner Fund	440,206	478,489
Cross Roads Reserve	1,616	1,515
Compensation Aid Fund	357,455	471,807
Stewardship	3,205	3,076
Brauninger Travel Fund	29,272	34,272
Namibia Special Fund	20,516	20,978
Global Mission Team	6,677	6,677
Macedonia Project	4,684	3,684
Candidacy Endowment	264,739	275,143
Hurricane Sandy Relief Fund	9,597	9,297
Grace Jersey City Legacy	-	525
Total Designated Support	1,174,341	1,343,933
Mission Ministries		
North Plainfield Music Fund	68,349	72,432
Fund for Mission, Advent Legacy	554,886	553,971
Hudson/Christ Ridgefield	28,097	29,671
Handicap Access - Redeemer	22,081	23,465
Fund for Mission Legacy	277,740	277,740
St. Luke Legacy	322,240	341,575
St. Mark Legacy	249,971	249,971
Total Mission Ministries	1,523,364	1,548,825
Total Temporarily Restricted Net Assets	$ 2,697,705	$ 2,892,758

Net assets were released from donor restrictions by satisfying the donor restrictions as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Designated Support	$ 180,771	$ 167,647
Mission Ministries	40,263	62,290
Total	$ 221,034	$ 229,937

Net assets released from donor restrictions related to Designated Support above includes transfers of $4,682 to the LTSP Foundation for the year ended December 31, 2014. There were no transfers to the LTSP Foundation for the year ended December 31, 2015.

Permanently Restricted Net Assets

Permanently restricted net assets are endowment funds restricted in perpetuity for the following:

	December 31, 2015	December 31, 2014
Danish Children's Home	$ 31,105	$ 31,105
Transitional Ministries (Fund for Mission)	445,462	445,462
Total	$ 476,567	$ 476,567

Income generated by the Danish Children's Home asset is temporarily restricted and income generated by the Fund for Mission, Advent Legacy asset can be used for its designated purpose.

J. CONCENTRATION OF RISK

The Synod maintains an operating cash balance which may exceed federal and other insurance limits. It historically has not experienced any credit-related losses. The risk is managed by maintaining the majority of its deposits in high-quality financial institutions. The Synod maintains investment balances that may exceed federally or other insured limits, although historically the Synod has not experienced any credit-related losses. The investments are primarily financial instruments which are monetary in nature. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions and world affairs.

The Synod invests in the Mission Investment Fund of the ELCA. These investments are not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. It historically has not experienced any credit-related losses.

K. RETIREMENT PLAN

Substantially all full-time employees of the Synod are enrolled in an employee savings provision plan (401(k) retirement plan) made available and administered by the Portico of the ELCA. The Synod contributes between 6% and 12% based upon the plan agreement. The full current employer cost provided for under the plan was approximately $87,000 and $77,000 for the years ended December 31, 2015 and 2014, respectively.

L. EQUITY IN CROSS ROADS OUTDOOR MINISTRIES

Camp Beisler was acquired by the Lutheran Church in 1953. In 1988, a merger of over 20 separate Lutheran denominations took place, forming the ELCA. At that time, Camp Beisler became part of the Synod.

In February 2000, the Synod signed an agreement with the Diocese of Newark of the Protestant Episcopal Church in the United States of America (the "Diocese") whereby the Synod conveyed a 50% interest in the improvements to the land at Camp Beisler. The Synod received $730,000 for this interest and recorded a gain of $367,827, net of the cost basis. In connection with this agreement, the Synod executed a fifty-year ground lease for $100 each year with the Lutheran/Episcopal Camp and Conference Center, Inc. (the "Camp and Conference Center"), a new corporation formed to operate the Cross Roads Outdoor Ministries (formerly Camp Beisler). The Synod and Diocese lease the land improvements to the Camp and Conference Center for $1 a year for fifty years, concurrent with the ground lease. The Synod carries its investment in the Camp and Conference Center on the equity basis.

The agreement further provides that in the event that the Synod causes the Camp and Conference Center to be dissolved or the ground lease is terminated by the Synod, the Synod will repurchase the Diocese's 50% interest in the land improvements for the greater of fair market value or $730,000. In the event that the Diocese causes the Camp and Conference Center to be dissolved or withdraws from the Camp and Conference Center, the Synod will repurchase the Diocese's 50% interest in the land improvements for the lower of fair market value or $730,000. During 2014, the Synod amended its agreement with the Camp and Conference Center, and made a $250,000 equity contribution to the Camp and Conference Center, which reduced the balance of a fund that had been designated in the event the Camp and Conference Center is dissolved by either party.

L. EQUITY IN CROSS ROADS OUTDOOR MINISTRIES (CONTINUED)

At December 31, 2015, the Synod's equity in Cross Roads Outdoor Ministries was $1,872,633, which represents principally the cost of land and land improvements, net of accumulated depreciation, equity contributions and 50% equity in cumulative earnings of the Camp and Conference Center.

Summary financial information related to the Synod's equity interest in Cross Roads Outdoor Ministries for the year ended December 31, 2015, is presented as follows:

Total support and revenues	$ 1,121,774
Total expenses	1,090,625
Change in net assets	31,149
	x 50%
Synod portion of equity in earnings of Cross Roads Ministries	$ 15,575

M. ENDOWMENT POLICY

Endowment Description & Interpretation of Relevant Law

The Synod endowment consists of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Synod Council and the Synod Investment Committee have interpreted the Uniform Prudent Management of Institutional Funds Act to require standard care that is reasonable and prudent over its endowed funds. The Synod currently classifies permanently restricted net assets at the original value of gifts donated to the permanent endowment. The remaining portion of the endowment funds is classified as temporarily restricted designated net assets if donor-restricted in purpose, or unrestricted net assets if no specific purpose has been designated.

Endowment Spending Policy

During the year ended December 31, 2005, the Synod Council approved an Investment Policy that has spending guidelines. The purpose of this Investment Policy is to establish a prudent and consistent approach to the distribution of endowment earnings that reflects an appropriate balance between the present and future needs. The policy is designed to provide a reasonable degree of stability and predictability in the amount of endowment earnings available for grants, scholarships and the other restricted purposes established by donors, as well as in the amount available for support of the Synod Spending Plan. The Synod Council has approved expenditures based on resolutions for Wurffel scholarships and grants, Fund for Mission grants and approval of the Spending Plan.

The Synod Council approves expenditures in the four to six percent range based on the previous three years' average investment balance. The Synod Investment Committee annually considers modifications to the Synod Investment Policy. All disbursements are expended according to donor restrictions and are classified as net assets released from restrictions in the accompanying statement of activities.

For the years ended December 31, 2015 and 2014, the total amount appropriated and spent on grants, scholarships and to support the Spending Plan was $194,664 and $213,388, respectively.

M. ENDOWMENT POLICY (CONTINUED)

Endowment Investment Policies

The Synod Council and the Synod Investment Committee have adopted investment policies that seek long-term capital growth, current income and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. The endowment investments may be invested in any combination of common stocks, securities convertible to common stock, preferred stocks, fixed income securities, mutual funds, managed funds and certificate of deposit as long as the ratio of equities to fixed income does not exceed 70% equities. Ten percent (10%) of all investments are with organizations that follow a socially oriented investment policy. All investments comply with the ELCA's social responsibility guidelines, which were updated in 2014.

To satisfy its long-term objectives, the Synod relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Synod targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

During March 2014, the Synod Council modified the endowment investment policy. Under the terms of the modified endowment investment policy, the target rate of return on investments was decreased to a range of four to six percent to limit the negative impact of market fluctuation on the investments.

Under the provisions of the Uniform Prudent Management of Institutional Funds Act and U.S. GAAP, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in temporarily restricted net assets or unrestricted net assets, or both. The permanently restricted net assets of such endowment funds should always equal their historic dollar value. An endowment fund that has become "underwater" will therefore result in decreases in temporarily restricted or unrestricted net assets, despite the absence of any legal obligation to restore the endowment fund for such losses. Unrestricted net assets that have been reduced because of this requirement will be restored from future gains for that reduction. For the years ended December 31, 2015 and 2014, no transfers of net assets were required.

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,892,598	$ 1,485,365	$ 476,567	$ 4,854,530
Investment return	45,552	(20,862)	-	24,690
Contributions	11,381	4,243	-	15,624
Endowment disbursements	(137,182)	(57,482)	-	(194,664)
Endowment net assets, end of year	$ 2,812,349	$ 1,411,264	$ 476,567	$ 4,700,180

M. ENDOWMENT POLICY (CONTINUED)

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,098,210	$ 1,199,548	$ 476,567	$ 4,774,325
Investment return	196,836	66,532	-	263,368
Contributions	6,949	277,958	-	284,907
Endowment disbursements	(159,397)	(53,991)	-	(213,388)
Transfer to LTSP Foundation	-	(4,682)	-	(4,682)
Equity interest in Cross Roads Outdoor Ministries	(250,000)	-	-	(250,000)
Endowment net assets, end of year	$ 2,892,598	$ 1,485,365	$ 476,567	$ 4,854,530

N. CONTINGENT LIABILITIES

To assist congregations in obtaining a mortgage, the Synod at times enters into tenant-in-common agreements. Under the terms of the agreements, the Synod agrees to jointly guarantee a mortgage held by a congregation and funds a debt service reserve account with the financial institution lender. The deed for the mortgaged property is held in escrow, and the Synod retains a 51% interest in the property as a tenant-in-common and a 49% interest is granted to the congregation. Under the terms of the agreements, the Synod is released of all liability for the mortgage loan if the congregation meets certain financial benchmarks as defined by the financial institution. If the congregation defaults on the loan payments, the Synod becomes liable and the deed for the property would be released to the Synod. As of December 31, 2015 and 2014, the Synod was party to three tenant-in-common agreements. At December 31, 2015 and 2014, total funds in reserve related to tenant in common agreements were $80,937 and $80,862, respectively, and are included in restricted cash on the statement of financial position. As of December 31, 2015 and 2014, there were no defaults under these arrangements.

The future minimum payments due under the mortgage loans for the years ending December 31, are as follows:

	Tenant-in-Common			
	Keys to Life Ministries	Holy Trinity Baptist Church	Muuango Seventh Day	Total
2016	$ 13,722	$ 13,198	$ 28,802	$ 55,722
2017	14,460	13,918	30,275	58,653
2018	15,238	14,677	31,824	61,739
2019	16,057	15,478	33,453	64,988
2020	16,921	16,322	35,164	68,407
Thereafter	447,656	311,307	641,110	1,400,073
Total	$ 524,054	$ 384,900	$ 800,628	$ 1,709,582