

**NJ SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN AMERICA**

FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 30, 2016
(WITH SUMMARIZED TOTALS FOR 2015)**

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of New Jersey Synod of the Evangelical Lutheran Church in America (the "Synod") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets 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 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 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 Synod'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 Synod'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.

(Continued)

Opinion

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of December 31, 2016, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements and Report on Summarized Comparative Information

The financial statements of the Synod as of December 31, 2015 were audited by other auditors, whose report dated April 11, 2016 expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prior Period Financial Statement Reclassifications

As part of our audit of the 2016 financial statements, we also audited reclassifications described in Note 2, *Reclassifications*, which were applied to restate the 2015 financial statements. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Synod other than with respect to the reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

April 27, 2017

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2016
 (with summarized financial information for December 31, 2015)

	December 31, 2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		Summarized Totals
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,006,485	534,135	\$ -	\$ 2,540,620	\$ 1,898,737
Certificates of deposit	359,819	-	-	359,819	358,136
Investments	89,545	-	-	89,545	-
Staff advances	750	-	-	750	750
Grant receivable	77,348	-	-	77,348	1,737
Accounts receivable	2,144	-	-	2,144	9,224
Loans receivable, current	41,921	-	-	41,921	33,971
Mortgages receivable, current	88,001	-	-	88,001	760,768
Prepaid expenses	28,489	-	-	28,489	12,032
Total current assets	2,694,502	534,135	-	3,228,637	3,075,355
Noncurrent assets					
Restricted cash	107,140	-	-	107,140	80,937
Loans receivable, net of current portion	400,088	-	-	400,088	334,214
Mortgages receivable, net of current portion	36,000	-	-	36,000	36,000
Certificates of deposit	-	902,009	31,105	933,114	927,384
Investments	1,922,724	1,353,535	445,462	3,721,721	3,938,339
Synod house property and equipment, net	513,854	-	-	513,854	529,775
Land and property held by the Synod	2,122,576	-	-	2,122,576	2,413,169
Equity in Cross Roads Outdoor Ministries	1,840,138	-	-	1,840,138	1,872,633
Other assets	17,864	-	-	17,864	17,864
Total noncurrent assets	6,960,384	2,255,544	476,567	9,692,495	10,150,315
Total assets	\$ 9,654,886	\$ 2,789,679	\$ 476,567	\$ 12,921,132	\$ 13,225,670
LIABILITIES AND NET ASSETS					
Current liabilities					
Accrued expenses and other liabilities	\$ 4,373	\$ -	\$ -	\$ 4,373	\$ 3,671
Grants payable	79,725	-	-	79,725	53,908
Total current liabilities	84,098	-	-	84,098	57,579
Noncurrent liabilities					
Environmental remediation obligation	780,000	-	-	780,000	-
Total liabilities	864,098	-	-	864,098	57,579
Commitments and contingencies					
Net assets					
Unrestricted					
Cross Roads Outdoor Ministries	1,840,138	-	-	1,840,138	1,872,633
Board designated	4,314,220	-	-	4,314,220	5,178,242
Net investment in property, plant and equipment	2,636,430	-	-	2,636,430	2,942,944
Total unrestricted	8,790,788	-	-	8,790,788	9,993,819
Temporarily restricted	-	2,789,679	-	2,789,679	2,697,705
Permanently restricted	-	-	476,567	476,567	476,567
Total net assets	8,790,788	2,789,679	476,567	12,057,034	13,168,091
Total liabilities and net assets	\$ 9,654,886	\$ 2,789,679	\$ 476,567	\$ 12,921,132	\$ 13,225,670

See notes to financial statements.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

(with summarized financial information for the year ended December 31, 2015)

	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Summarized Total
	Operations	Designated And Other Funds					
Revenues, gains and other support							
Support from congregations	2,000,704	-	2,000,704	-	-	2,000,704	2,096,278
Other contributions and gifts	165,297	2,094,494	2,259,791	325,205	-	2,584,996	2,235,762
Grant revenue	-	136,982	136,982	-	-	136,982	23,750
Rental income	-	43,200	43,200	-	-	43,200	43,200
Investment income, net	14,137	86,750	100,887	28,234	-	129,121	168,661
Realized gains on investments	-	106,889	106,889	37,751	-	144,640	220,702
Gain on sale of property	-	585,059	585,059	-	-	585,059	1,829,504
Assembly income	53,875	-	53,875	-	-	53,875	51,886
Temporarily restricted net assets released from restriction	-	295,412	295,412	(295,412)	-	-	-
Total revenues, gains and other support	2,234,013	3,348,786	5,582,799	95,778	-	5,678,577	6,669,743
Expenses							
Program services - Synod							
Churchwide and Ministry Partners	1,152,352	-	1,152,352	-	-	1,152,352	1,284,041
Strengthening Congregations	377,190	-	377,190	-	-	377,190	385,676
Outreach Supporting Congregations	88,014	-	88,014	-	-	88,014	119,148
Office of the Bishop	308,135	-	308,135	-	-	308,135	303,444
Program services - Partners in Ministry							
Designated Support	-	1,712,387	1,712,387	-	-	1,712,387	2,272,561
Mission Ministries	-	1,973,694	1,973,694	-	-	1,973,694	1,920,008
Total program services	1,925,691	3,686,081	5,611,772	-	-	5,611,772	6,284,878
Supporting services							
Oversight of the Mission Plan	306,226	-	306,226	-	-	306,226	338,911
Depreciation	-	56,756	56,756	-	-	56,756	53,564
Total supporting services	306,226	56,756	362,982	-	-	362,982	392,475
Total expenses before other gains (losses)	2,231,917	3,742,837	5,974,754	-	-	5,974,754	6,677,353
Other gains (losses)							
Unrealized gains (losses) on investments	-	(17,588)	(17,588)	(3,804)	-	(21,392)	187,834
Equity in earnings (losses) - Cross Roads Outdoor Ministrie	-	(13,488)	(13,488)	-	-	(13,488)	15,575
Environmental remediation costs	-	(780,000)	(780,000)	-	-	(780,000)	-
Transfers	(2,096)	2,096	-	-	-	-	-
Total expenses and other gains (losses)	2,234,013	4,551,817	6,785,830	3,804	-	6,789,634	6,473,944
Changes in net assets	-	(1,203,031)	(1,203,031)	91,974	-	(1,111,057)	195,799
Net assets, beginning of year	-	9,993,819	9,993,819	2,697,705	476,567	13,168,091	12,972,292
Net assets, end of year	-	8,790,788	8,790,788	2,789,679	476,567	12,057,034	13,168,091

See notes to financial statements.

NEW JERSEY SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities		
Changes in net assets	\$ (1,111,057)	\$ 195,799
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	56,756	53,564
Gain on sale of property	(585,059)	(1,829,504)
Realized gains on investments	(144,640)	(220,702)
Unrealized (gains) losses on investments	21,392	(187,834)
Equity in (earnings) losses - Cross Roads Outdoor Ministries	13,488	(15,575)
Environmental remediation costs	780,000	-
Changes in assets and liabilities		
Certificates of deposit	(7,413)	(6,703)
Grant receivable	(75,611)	(1,737)
Accounts receivable	7,080	(9,224)
Prepaid expenses	(16,457)	51,878
Other assets	-	(490)
Accrued expenses and other liabilities	702	(6,237)
Grants payable	25,817	12,933
Net cash used in operating activities	(1,035,002)	(1,963,832)
Cash flows from investing activities		
Purchases of property and equipment	(68,599)	(50,745)
Proceeds from sale of property held by the Synod	922,423	1,860,000
Sale of investments, net	250,321	535,894
Loans issued to congregations	(115,000)	-
Collections of loans receivable	41,176	100,378
Issuance of mortgage	(1,086)	-
Collections of mortgages receivable	673,853	60,163
Net cash provided by investing activities	1,703,088	2,505,690
Cash flows from financing activities		
Changes in restricted cash balances	(26,203)	(75)
Net increase in cash and cash equivalents	641,883	541,783
Cash and cash equivalents, beginning of year	1,898,737	1,356,954
Cash and cash equivalents, end of year	\$ 2,540,620	\$ 1,898,737
Supplemental cash flow disclosures		
Non-cash investing activity		
Write-off of fully depreciated assets	\$ 15,889	\$ -

See notes to financial statements.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION

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 167 congregations. The Synod relies primarily on annual mission support gifts from these congregations. The Synod Assembly, whose voting members include ministers and lay representatives from New Jersey congregations, is the Synod's highest legislative authority. The Synod Assembly elects the Synod Council, Bishop, Vice-President, Secretary, and voting members to the ELCA Church-wide 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 Ministers of Word and Sacrament and to Ministers of Word and Service. The programs and supporting services of the Synod are included in the statement of activities.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Synod have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues and support, 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 through January of the subsequent year. Similarly, payments for grants and other expenses that are dependent on the availability of income from congregations are disbursed up to 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 consist of assets, revenues and support, which are 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 include funds with donor-imposed stipulations, which permit the Synod to expend the assets as specified, and are satisfied either by the passage of time or by actions of the Synod Council.
- Permanently restricted net assets include funds with donor-imposed stipulations that they be maintained permanently by the Synod. Generally, donors of these assets require the Synod to maintain and invest the original contributions, but permit the use of investment earnings for general or donor-specified purposes.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenues and Support

Contributions and other support received are recorded as unrestricted, temporarily restricted or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as contributions when the donor makes a promise to give to the Synod. 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 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.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Synod considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents also include unrestricted money market accounts. Excluded from this definition of cash equivalents are investments in funds that have been designated as permanently restricted.

Concentrations of Credit 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's investments include fixed income investments which are not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. It historically has not experienced any credit-related losses.

Certificates of Deposit

Certificates of deposit are carried at cost, which is equal to their fair value. Certificates of deposit consisting of unrestricted funds are classified as a current asset in the accompanying statement of financial position. Certificates of deposit consisting of temporarily and permanently restricted funds are classified as a noncurrent asset in the accompanying statement of financial position. As of December 31, 2016, certificates of deposit interest rates range from 0.7% to 2.2% and maturity dates range from January 27, 2017 through March 31, 2026. As of December 31, 2015, certificates of deposit interest rates range from 1.09% to 4.0% and maturity dates range from January 3, 2016 through July 2, 2021.

**NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments, including investments held for long-term purposes (donor-restricted), consist of a pooled income portfolio, which is stated at fair value based on quoted prices on a recognized securities exchange and which holds investments that are classified as both Level 1 and 2 investments, as explained below and further detailed in Note 4.

GAAP defines fair value, provides guidance for measuring fair value, and requires certain disclosures, based on a fair value hierarchy. This fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs supported by little or no market activity and that require significant management judgment or estimation.

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.

Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$38,891 and have been netted against investment income in the accompanying Statements of Activities and Changes in Net Assets.

Loans and Mortgages Receivable

Loans and mortgages receivable represent funds advanced to congregations and affiliates within the Synod and are stated at unpaid principal balances, less an allowance for loan losses, as deemed necessary by management. Loans receivable are unsecured. Mortgages receivable are collateralized by a first mortgage on church property. A title policy is required showing the Synod as the valid first lien on all mortgaged properties.

Interest rates are set forth by terms established in the loan/mortgage agreements and currently range from 0.0% to 5.0%, per annum. Interest on loans/mortgages is recognized over the term of the loans and are calculated using the interest method on principal amounts outstanding.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Mortgages Receivable (Continued)

Past due status is determined based on contractual terms. The Synod's practice is to charge off any loan/mortgage or portion of a loan/mortgage when the debt is determined by management to be uncollectible due to the church's failure to meet repayment terms, the church's deteriorating or deteriorated financial condition, or for other reasons. An allowance for loan losses is recorded based on a combination of historical experience and information on specific accounts. Management has determined that no allowance is required as of December 31, 2016 and 2015.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Synod capitalizes all asset purchases with an individual acquisition cost over \$5,000. Depreciation is computed using the straight-line method over the useful lives of the assets, generally three years for vehicles and forty years for buildings and improvements. Donations of assets are recorded at fair market value upon receipt. Maintenance, repairs and minor renewals 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.

Investment in Unconsolidated Affiliate

The Synod accounts for its investment in Cross Roads Outdoor Ministries under the equity method because they do not have control over the Cross Roads Outdoor Ministries' activities. 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.

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The most significant reclassifications affected revenues and expenses, which were reclassified to reflect the gross amount earned and incurred, and the allocation of expenses between program services and supporting services.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 GAAP. Accordingly, such information should be read in conjunction with the Synod's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Subsequent Events

These financial statements were approved by management and available for issuance on April 27, 2017. Management has evaluated subsequent events through this date.

3 - PROGRAM AND SUPPORTING SERVICES

The Synod financial statements reflect the following program and supporting services:

Program Services - Synod

Churchwide and Ministry Partners support our partners in ministry in New Jersey, our region and the churchwide organization. Fifty percent of congregational mission support gifts automatically go to the ELCA churchwide organization to support relief efforts and mission around the world.

Strengthening Congregations supports the Synod's work toward strengthening congregations within the New Jersey Synod, including funding for: Synod staff addressing congregational needs; Youth programs and program staff; the Discipleship and Witness Mission Team; the Justice and Peace Mission Team; stewardship resources; and other programs, events and grants.

Outreach Supporting Congregations supports mission development within New Jersey, enables new expressions of ministry in the Synod, assists the start-up of new churches and helps revitalize existing ministries.

Office of the Bishop provides guidance and assistance to Synod congregations and coordinates statewide church and legal processes, including: Congregational vacancy and call processes; Seminarian discernment and candidacy processes; coordination across the Synod; collaboration and ecumenical dialogue with other church organizations; Synod gatherings such as the Synod Assembly; the Synod Deans, who coordinate our mission districts and support our pastors; and churchwide strategic planning.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

3 - PROGRAM AND SUPPORTING SERVICES (Continued)

Program Services – Partners in Ministry

Designated and Other Support includes grants and loans given to congregations, groups and individuals from restricted gifts and funds. Examples include the ELCA World Hunger programs; ELCA Mission programs; Fund for Mission grants; Wurffel education grants; loans for congregational transformation; EMU and LEAM program funds; and the International Servant Trip to Bosnia. This category also includes registrations and expenses for Youth Ministry programs such as RESET, Among the Wolves, Differently Abled, and Confirmation Camp.

Mission Ministries includes support for the missions and developing congregations within the New Jersey Synod. Examples include Bridge of Peace Community Church in Camden; Christus Lutheran in Camden; Morning Star in Ridgefield; Santa Isabel in Elizabeth; Elect Saints in Ewing; and St. Bartholomew Lutheran in Trenton.

Supporting Services

Oversight of the Mission Plan includes those functions necessary to support the administrative, financial and legal aspects of running a church organization including: managing our resources and properties; communicating across the Synod; fulfilling ELCA, legal and regulatory requirements; and planning for our future.

4 – INVESTMENTS

The table below sets forth a summary of both the current and noncurrent investments held by the Synod as of December 31, 2016 and 2015, and the changes in the fair value of those investments from inception to the years ended December 31, 2016 and 2015:

	2016			2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments - Current						
Corporate bonds	90,000	89,545	(455)	-	-	-

	2016			2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation
Investments – Non-Current						
Equities	\$ 2,902,308	\$ 3,145,308	\$ 243,000	\$ 2,982,350	\$ 3,237,348	\$ 254,998
Fixed income securities	620,510	576,413	(44,097)	757,814	700,991	(56,823)
	\$ 3,522,818	\$ 3,721,721	\$ 198,093	\$ 3,740,164	\$ 3,938,339	\$ 198,175

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

4 – INVESTMENTS (Continued)

The table below presents the balances of assets measured at fair value, on a recurring basis, by level, within the fair value hierarchy as of December 31, 2016:

	Quoted Prices in Active Markets for Identical Assets - Level 1	Significant Other Observable Inputs - Level 2
Pooled income portfolio		
Corporate bonds	\$ 89,545	\$ -
Equities	3,145,308	-
Fixed income securities	-	576,413
Totals	\$ 3,234,853	\$ 576,413

The table below presents the balances of assets measured at fair value, on a recurring basis, by level, within the fair value hierarchy as of December 31, 2015:

	Quoted Prices in Active Markets for Identical Assets - Level 1	Significant Other Observable Inputs - Level 2
Pooled income portfolio		
Equities	\$ 3,237,348	\$ -
Fixed income securities	-	700,991
Totals	\$ 3,237,348	\$ 700,991

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

5 - LOANS RECEIVABLE

The Synod holds the following loans receivable:

	2016	2015
Cross Roads Camp and Retreat Center, Port Murray, NJ Principal of \$292,536 at 4.5% interest, due November 8, 2029	\$ 261,441	\$ 276,169
Transformational Ministry Loans		
Various principal amounts at 1.0% interest, with various final maturity dates through March 15, 2026	180,568	92,016
	442,009	368,185
Less - Current portion	41,921	33,971
Long-term portion	\$ 400,088	\$ 334,214

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

2017	\$ 41,921
2018	38,196
2019	38,984
2020	37,884
2021	32,609
Thereafter	252,415
Total	\$ 442,009

6 - MORTGAGES RECEIVABLE

The Synod holds the following mortgage receivables:

	2016	2015
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
Holy Trinity Baptist Church of New Jersey, Inc., Trenton, NJ \$88,001 at 0.0% interest, due May 30, 2017 (3)	88,001	86,915
	124,001	795,768
Less - Current portion	88,001	760,768
Long-term portion	\$ 36,000	\$ 36,000

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

6 - MORTGAGES RECEIVABLE (Continued)

(1) The 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) The mortgage receivable was amended in December 2015. Under the amended agreement, the maturity date was extended to April 13, 2016. The mortgage note was paid-off in 2016 and replaced by a tenant-in-common agreement (See Note 13).

(3) The mortgage receivable was amended in December 2015. Under the amended agreement, the interest rate was reduced from 3.0% to 0.0% and then in 2016, the March 23, 2016 maturity date was extended to May 30, 2017. The sale of this property, owned by Holy Trinity Baptist Church of New Jersey, is expected to close in May 2017. Proceeds from the sale will be used to pay-off the remaining balance of the mortgage outstanding. If the property does not sell, the Synod expects to negotiate an extension to the existing mortgage, which will include 3% annual interest.

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

2017	\$ 88,001
2018	-
2019	-
2020	-
2020	-
Thereafter	36,000
Total	\$124,001

7 - SYNOD HOUSE PROPERTY AND EQUIPMENT

The Synod House property and equipment consists of the following:

	December 31,	
	2016	2015
Land	\$ 51,502	\$ 51,502
Building and improvements	567,896	567,896
Office furniture and equipment	53,870	53,870
Vehicles	76,123	70,213
	749,391	743,481
Less - Accumulated depreciation	235,537	213,706
	\$ 513,854	\$ 529,775

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS

8 - LAND AND PROPERTY HELD BY THE SYNOD

Property held by the Synod at December 31, 2016 and 2015, consists of the following:

	2016	2015
Property held by Synod:		
Cross of Life Lutheran Church, Plainfield, NJ (1)	\$ 95,362	\$ 97,950
St. John the Baptist, Hoboken, NJ (2)	567,085	561,884
Hansen Parsonage, Linden, NJ (3)	-	318,992
Elizabeth Lutheran Center ("ELC") Church, Elizabeth, NJ (4)	569,726	565,773
ELC Parsonage, Elizabeth, NJ (5)	126,969	122,070
ELC Parish Hall, Elizabeth, NJ (6)	123,883	123,216
Bridge of Peace, Camden, NJ (7)	181,520	172,930
Land, Jackson, NJ (8)	421,687	415,780
Townsend's Inlet, Sea Isle, NJ (9)	36,344	34,574
	\$ 2,122,576	\$ 2,413,169

(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. The current year decrease in the balance represents additional costs of \$3,412 incurred and capitalized in connection with holding the property, offset by \$6,000 of payments made by the Cross of Life Lutheran Church towards their outstanding capital expenditure balance.

(2) The Synod is currently leasing this property to the Hoboken Shelter (a housing mission agency). The current year increase in the balance represents additional costs of \$5,201 incurred and capitalized in connection with holding and improving the property.

(3) This property was used as a parsonage for the Pilgrim Journey congregation lay leader. The property was sold in September 2016.

(4) The ELC Church is used by Santa Isabel mission congregation. The current year increase in the balance represents additional costs of \$3,953 incurred and capitalized in connection with holding the property.

(5) The ELC Parsonage is used by the pastor of the Santa Isabel congregation. The current year increase in the balance represents additional costs of \$4,899 incurred and capitalized in connection with holding the property.

(6) The ELC Parish Hall is used by Santa Isabel congregation for community fellowship and community support groups. The current year increase in the balance represents additional costs of \$667 incurred and capitalized in connection with holding and improving the property.

**NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

8 - LAND AND PROPERTY HELD BY THE SYNOD (Continued)

(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. The current year increase in the balance represents additional costs of \$8,590 incurred and capitalized in connection with holding and improving the property.

(8) Land was purchased in 2007 for a New Jersey Synod Mission Congregation. The Synod is seeking to sell the property. The Synod continues to own the property and assist the congregation. The current year increase in the balance represents additional costs of \$5,907 incurred and capitalized in connection with holding and improving the property.

(9) The Synod became the Trustee to the Townsend's Inlet property in 2014. A congregation uses the property for summer worship. The current year increase in the balance represents additional costs of \$1,770 incurred and capitalized in connection with holding and improving the property.

9 - RESTRICTIONS ON NET ASSETS

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

	December 31,	
	2016	2015
Designated Support:		
Danish Children's Home	\$ 308	\$ 1,894
Franklin Fry Chair	34,480	34,480
Brueckner Outdoor Ministries	438,577	440,206
Cross Roads Reserve	1,717	1,616
Compensation Aid	468,633	357,455
Stewardship	6,317	3,205
Brauninger Travel	22,272	29,272
Namibia Special	19,187	20,516
Global Mission Team	6,677	6,677
Macedonia Project	-	4,684
Candidacy Endowment	255,119	264,739
Hurricane Sandy Relief	9,597	9,597
Total Designated Support	1,262,884	1,174,341
Mission Ministries:		
Transitional Ministries (Fund for Mission)		
North Plainfield Music	68,911	68,349
St. Luke Legacy	325,996	322,240
Handicap Access - Redeemer	23,329	22,081
Fund for Mission, Advent Legacy	555,751	554,886
Fund for Mission Legacy	277,740	277,740
St. Mark Legacy	249,971	249,971
Hudson/Christ Ridgefield	25,097	28,097
Total Mission Ministries	1,526,795	1,523,364
Total temporarily restricted net assets	\$ 2,789,679	\$ 2,697,705

**NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

9 - RESTRICTIONS ON NET ASSETS (Continued)

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

	December 31,	
	2016	2015
Danish Children's Home	\$ 31,105	\$ 31,105
Transitional Ministries (Fund for Mission)	445,462	445,462
Total permanently restricted net assets	\$ 476,567	\$ 476,567

Investment income generated by the Danish Children's Home and Transitional Ministries (Fund for Mission) is temporarily restricted, and may be used only for donor-specified purposes.

10 - RETIREMENT PLAN

Substantially all full-time employees of the Synod are enrolled in an employee savings provision plan (403(b) 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 \$88,000 and \$87,000 for the years ended December 31, 2016 and 2015, respectively.

11 - 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.

**NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS**

11 - EQUITY IN CROSS ROADS OUTDOOR MINISTRIES (Continued)

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.

At December 31, 2016, the Synod's equity in Cross Roads Outdoor Ministries was \$1,840,138, which represents principally the cost of land and land improvements, net of accumulated depreciation, equity contributions and 50% equity in cumulative earnings (losses) 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, 2016, is presented as follows:

Total support and revenues	\$ 982,208
Total expenses	1,009,183
Change in net assets	(26,975)
Synod's equity interest	x 50%
Synod's equity in losses of Cross Roads Outdoor Ministries	\$ (13,488)

12 - ENDOWMENT POLICY

Endowment Description and Interpretation of Relevant Law

The Synod endowment consists of funds established for a variety of purposes. As required by 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 net assets if donor-restricted in purpose, or unrestricted net assets if no specific purpose has been designated.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

12 - ENDOWMENT POLICY (Continued)

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, scholarship 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.

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 certificates of deposit, as long as the ratio of equities to fixed income does not exceed 70% equities. Ten percent 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.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

12 - ENDOWMENT POLICY (Continued)

Endowment Investment Policies (Continued)

Under the provisions of the Uniform Prudent Management of Institutional Funds Act and 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, 2016 and 2015, no transfers of net assets were required.

Changes in Endowment Net Assets for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,812,349	\$ 1,411,264	\$ 476,567	\$ 4,700,180
Investment return	169,525	49,203	-	218,728
Contributions	153,077	3,513	-	156,590
Endowment disbursements	(172,670)	(72,924)	-	(245,594)
Endowment net assets, end of year	\$ 2,962,281	\$ 1,391,056	\$ 476,567	\$ 4,829,904

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

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

13 - 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, 2016 and 2015, the Synod was party to four and three, respectively, tenant-in-common agreements. At December 31, 2016 and 2015, total funds in reserve related to tenant-in-common agreements were \$107,140 and \$80,937, respectively, and are included in restricted cash on the statements of financial position. As of December 31, 2016 and 2015, 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:

	Keys to Life Ministries	Holy Trinity Baptist Church	Muuango Seventh Day	Macedonia Baptist Church	Total
2017	\$20,855	\$14,042	\$29,913	\$21,205	\$86,015
2018	21,992	14,808	31,444	22,234	90,478
2019	23,192	15,615	33,053	23,313	95,173
2020	24,457	16,467	34,744	24,445	100,113
2021	25,791	17,365	36,521	25,484	105,161
Thereafter	388,135	293,500	606,888	546,211	1,834,734
Total	\$504,422	\$371,797	\$772,563	\$662,892	\$2,311,674

14 – ENVIRONMENTAL REMEDIATION OBLIGATION

The Synod was informed by the New Jersey Department of Environmental Protection (“NJ DEP”) that there are safety issues involving the stability of an earthen dam located on the Cross Roads Camp property. As disclosed in Note 11, a portion of the Synod’s equity in Cross Roads Outdoors Ministries (“Cross Roads”) represents the cost of land and land improvements. The Synod is the owner of this property and therefore is responsible for the remediation. The NJ DEP is requiring the Synod to develop and submit a plan of action. The Synod hired an engineering consultant to design alternatives and estimate remediation costs. The consultant presented three options ranging from \$780,000 to \$3.08 million in estimated cost. The Synod is currently investigating other less costly options. It is expected that the Synod Council will approve one option at its June 2017 meeting.

NJ SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

14 – ENVIRONMENTAL REMEDIATION OBLIGATION (Continued)

At December 31, 2016, the Synod has accrued \$780,000, which is its best estimate of the obligation regarding this property and which is presented under the caption Environmental Remediation Obligation in the accompanying Statement of Financial Position. The Synod could incur additional obligations and it is reasonably possible that the recorded estimate of the obligation may change in the near term. The Synod believes this is a conservative estimate and that actual costs will be less.

The Synod retained a grant writer to develop and submit grant requests for the purpose of funding the remediation project. The Synod is hopeful that a portion of these estimated environmental remediation costs will ultimately be reimbursed but this outcome is too early to predict at this time. If granting options are not successful, the Synod will fund the project through external borrowings.