

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

Consolidated Financial Statements  
and  
Independent Auditors' Report  
Year Ended January 31, 2007

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

Consolidated Financial Statements and Independent Auditors' Report

**Table of Contents**

|   | <b>Page</b> |
|---|-------------|
| Independent Auditors' Report .....                    | 1           |
| Consolidated Financial Statements:                    |             |
| Consolidated Statement of Financial Position .....    | 2           |
| Consolidated Statement of Activities .....            | 4           |
| Consolidated Statement of Changes in Net Assets ..... | 5           |
| Consolidated Statement of Cash Flows .....            | 6           |
| Notes to Consolidated Financial Statements .....      | 7           |

## INDEPENDENT AUDITORS' REPORT

To the Synod Council  
New England Synod of the  
Evangelical Lutheran Church in America and Affiliate  
Worcester, Massachusetts

We have audited the accompanying consolidated statement of financial position of the New England Synod of the Evangelical Lutheran Church in America and Affiliate (the Organization) as of January 31, 2007, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative financial information has been derived from the Organization's 2006 consolidated financial statements and, in our report dated March 23, 2006, we expressed an unqualified opinion on those statements.

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 consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New England Synod of the Evangelical Lutheran Church in America and Affiliate as of January 31, 2007 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



June 15, 2007

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

Consolidated Statement of Financial Position

January 31, 2007

(With Summarized Financial Information for 2006)

|   | <b>Assets</b>             |                                   |                                   | <b>Totals</b>             |                           |
|---|---------------------------|-----------------------------------|-----------------------------------|---------------------------|---------------------------|
|   | <b>Unrestricted</b>       | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>2007</b>               | <b>2006</b>               |
| <b>Current Assets:</b>                    |                           |                                   |                                   |                           |                           |
| Cash and cash equivalents                 | \$ 601,858                | \$ 413,841                        | \$ -                              | \$1,015,699               | \$ 818,547                |
| Accounts receivable                       | 7,717                     | -                                 | -                                 | 7,717                     | 2,407                     |
| Contributions receivable                  | -                         | 162,300                           | -                                 | 162,300                   | 226,817                   |
| Inventory                                 | 20,644                    | -                                 | -                                 | 20,644                    | 14,906                    |
| Current portion of notes receivable       | 32,507                    | -                                 | -                                 | 32,507                    | 32,390                    |
| Due from perpetual trusts and other funds | 75,542                    | -                                 | -                                 | 75,542                    | 26,309                    |
| Prepaid expenses                          | <u>18,067</u>             | <u>-</u>                          | <u>-</u>                          | <u>18,067</u>             | <u>2,743</u>              |
| <b>Total Current Assets</b>               | <u>756,335</u>            | <u>576,141</u>                    | <u>-</u>                          | <u>1,332,476</u>          | <u>1,124,119</u>          |
| Property and Equipment, net               | <u>4,125,194</u>          | <u>-</u>                          | <u>-</u>                          | <u>4,125,194</u>          | <u>4,164,898</u>          |
| <b>Other Assets:</b>                      |                           |                                   |                                   |                           |                           |
| Cash and cash equivalents                 | -                         | -                                 | 8,209                             | 8,209                     | 10,392                    |
| Investments                               | 2,080,893                 | 331,565                           | 504,169                           | 2,916,627                 | 2,488,355                 |
| Contributions receivable, net             | -                         | 100,693                           | -                                 | 100,693                   | 130,353                   |
| Notes receivable, net of current portion  | 12,089                    | -                                 | -                                 | 12,089                    | 14,596                    |
| Remainder interest gifts                  | <u>-</u>                  | <u>381,699</u>                    | <u>-</u>                          | <u>381,699</u>            | <u>327,928</u>            |
| <b>Total Other Assets</b>                 | <u>2,092,982</u>          | <u>813,957</u>                    | <u>512,378</u>                    | <u>3,419,317</u>          | <u>2,971,624</u>          |
| <b>Total Assets</b>                       | <u><b>\$6,974,511</b></u> | <u><b>\$1,390,098</b></u>         | <u><b>\$ 512,378</b></u>          | <u><b>\$8,876,987</b></u> | <u><b>\$8,260,641</b></u> |

**Liabilities and Net Assets**

|                                       |                |          |          |                |                |
|---------------------------------------|----------------|----------|----------|----------------|----------------|
| <b>Current Liabilities:</b>           |                |          |          |                |                |
| Accounts payable and accrued expenses | \$ 115,797     | \$ -     | \$ -     | \$ 115,797     | \$ 90,364      |
| Line of credit                        | 65,000         | -        | -        | 65,000         | 210,000        |
| Grants payable                        | 14,595         | -        | -        | 14,595         | 4,436          |
| Deferred revenue                      | 252,218        | -        | -        | 252,218        | 248,937        |
| Current portion of long-term debt     | <u>32,148</u>  | <u>-</u> | <u>-</u> | <u>32,148</u>  | <u>27,545</u>  |
| <b>Total Current Liabilities</b>      | <u>479,758</u> | <u>-</u> | <u>-</u> | <u>479,758</u> | <u>581,282</u> |

The accompanying notes are an integral part of these financial statements.

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

Consolidated Statement of Financial Position (continued)

January 31, 2007

(With Summarized Financial Information for 2006)

|  | Unrestricted           | Temporarily<br>Restricted | Permanently<br>Restricted | <u>Totals</u>          |                        |
|--|------------------------|---------------------------|---------------------------|------------------------|------------------------|
|  |                        |                           |                           | 2007                   | 2006                   |
| Long-Term Liabilities:                 |                        |                           |                           |                        |                        |
| Long-term debt, net of current portion | \$ 56,521              | \$ -                      | \$ -                      | \$ 56,521              | \$ 138,797             |
| Liability for pension settlement       | <u>-</u>               | <u>-</u>                  | <u>-</u>                  | <u>-</u>               | <u>35,128</u>          |
| Total Long-Term Liabilities            | <u>56,521</u>          | <u>-</u>                  | <u>-</u>                  | <u>56,521</u>          | <u>173,925</u>         |
| <br>Total Liabilities                  | <br><u>536,279</u>     | <br><u>-</u>              | <br><u>-</u>              | <br><u>536,279</u>     | <br><u>755,207</u>     |
| <br>Contingencies                      | <br>-                  | <br>-                     | <br>-                     | <br>-                  | <br>-                  |
| Net Assets:                            |                        |                           |                           |                        |                        |
| Unrestricted:                          |                        |                           |                           |                        |                        |
| Undesignated                           | 3,996,452              | -                         | -                         | 3,996,452              | 3,751,136              |
| Designated for specific purposes       | 2,441,780              | -                         | -                         | 2,441,780              | 2,110,257              |
| Temporarily restricted                 | -                      | 1,390,098                 | -                         | 1,390,098              | 1,148,102              |
| Permanently restricted                 | <u>-</u>               | <u>-</u>                  | <u>512,378</u>            | <u>512,378</u>         | <u>495,939</u>         |
| Total Net Assets                       | <u>6,438,232</u>       | <u>1,390,098</u>          | <u>512,378</u>            | <u>8,340,708</u>       | <u>7,505,434</u>       |
| <br>Total Liabilities and Net Assets   | <br><u>\$6,974,511</u> | <br><u>\$1,390,098</u>    | <br><u>\$ 512,378</u>     | <br><u>\$8,876,987</u> | <br><u>\$8,260,641</u> |

The accompanying notes are an integral part of these financial statements.

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

Consolidated Statement of Activities

Year Ended January 31, 2007  
(With Summarized Financial Information for 2006)

|   | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Totals            |                     |
|---|-------------------|---------------------------|---------------------------|-------------------|---------------------|
|   |                   |                           |                           | 2007              | 2006                |
| <b>Support and Revenue:</b>                     |                   |                           |                           |                   |                     |
| Mission support                                 | \$ 2,279,018      | \$ -                      | \$ -                      | \$ 2,279,018      | \$ 2,275,092        |
| Designated gifts                                | <u>-</u>          | <u>473,855</u>            | <u>7,236</u>              | <u>481,091</u>    | <u>402,232</u>      |
| Total Support                                   | <u>2,279,018</u>  | <u>473,855</u>            | <u>7,236</u>              | <u>2,760,109</u>  | <u>2,677,324</u>    |
| <b>Other sources:</b>                           |                   |                           |                           |                   |                     |
| Fees, events, rentals and food<br>service       | 2,014,494         | -                         | -                         | 2,014,494         | 1,994,878           |
| Contributions                                   | 668,428           | 2,209                     | -                         | 670,637           | 1,178,094           |
| Capital campaign income                         | -                 | 268,669                   | -                         | 268,669           | 322,894             |
| Investment income                               | 128,961           | 64,120                    | -                         | 193,081           | 169,668             |
| Unrealized gains                                | 103,384           | 32,139                    | 9,203                     | 144,726           | 260,225             |
| Other income                                    | <u>119,157</u>    | <u>6,000</u>              | <u>-</u>                  | <u>125,157</u>    | <u>145,476</u>      |
| Total Support and Revenue<br>from Other Sources | <u>3,034,424</u>  | <u>373,137</u>            | <u>9,203</u>              | <u>3,416,764</u>  | <u>4,071,235</u>    |
| Net assets released from restrictions           | <u>604,996</u>    | <u>(604,996)</u>          | <u>-</u>                  | <u>-</u>          | <u>-</u>            |
| Total Support and Revenue                       | <u>5,918,438</u>  | <u>241,996</u>            | <u>16,439</u>             | <u>6,176,873</u>  | <u>6,748,559</u>    |
| <b>Expenses:</b>                                |                   |                           |                           |                   |                     |
| <b>Program Expenses:</b>                        |                   |                           |                           |                   |                     |
| ELCA mission support                            | 1,227,502         | -                         | -                         | 1,227,502         | 1,251,301           |
| Mission programs                                | 396,164           | -                         | -                         | 396,164           | 329,151             |
| Program services                                | <u>1,453,784</u>  | <u>-</u>                  | <u>-</u>                  | <u>1,453,784</u>  | <u>2,124,156</u>    |
| Total Program Expenses                          | <u>3,077,450</u>  | <u>-</u>                  | <u>-</u>                  | <u>3,077,450</u>  | <u>3,704,608</u>    |
| <b>Administrative Expenses:</b>                 |                   |                           |                           |                   |                     |
| Ministry and support                            | 775,837           | -                         | -                         | 775,837           | 788,928             |
| Capital campaign expense                        | 12,653            | -                         | -                         | 12,653            | 45,135              |
| General and administrative                      | <u>926,890</u>    | <u>-</u>                  | <u>-</u>                  | <u>926,890</u>    | <u>214,382</u>      |
| Total Administrative<br>Expenses                | <u>1,715,380</u>  | <u>-</u>                  | <u>-</u>                  | <u>1,715,380</u>  | <u>1,048,445</u>    |
| <b>Other Expenses:</b>                          |                   |                           |                           |                   |                     |
| ELCA designated gifts                           | 182,831           | -                         | -                         | 182,831           | 259,964             |
| Fundraising                                     | 175,510           | -                         | -                         | 175,510           | 197,509             |
| Special events                                  | <u>190,428</u>    | <u>-</u>                  | <u>-</u>                  | <u>190,428</u>    | <u>213,138</u>      |
| Total Other Expenses                            | <u>548,769</u>    | <u>-</u>                  | <u>-</u>                  | <u>548,769</u>    | <u>670,611</u>      |
| Total Expenses                                  | <u>5,341,599</u>  | <u>-</u>                  | <u>-</u>                  | <u>5,341,599</u>  | <u>5,423,664</u>    |
| Changes in Net Assets                           | <u>\$ 576,839</u> | <u>\$ 241,996</u>         | <u>\$ 16,439</u>          | <u>\$ 835,274</u> | <u>\$ 1,324,895</u> |

The accompanying notes are an integral part of these financial statements.

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

Consolidated Statement of Changes in Net Assets

Year Ended January 31, 2007  
(With Summarized Financial Information for 2006)

|                               | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Totals</b>       |                     |
|-------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|
|                               |                     |                                   |                                   | <b>2007</b>         | <b>2006</b>         |
| Net Assets, beginning of year | \$ 5,861,393        | \$ 1,148,102                      | \$1,570,554                       | \$ 8,580,049        | \$ 7,255,154        |
| Adjustments                   | -                   | -                                 | (1,074,615)                       | (1,074,615)         | (1,074,615)         |
| Restated, beginning of year   | 5,861,393           | 1,148,102                         | 495,939                           | 7,505,434           | 6,180,539           |
| Net Increase in Net Assets    | <u>576,839</u>      | <u>241,996</u>                    | <u>16,439</u>                     | <u>835,274</u>      | <u>1,324,895</u>    |
| Net Assets, end of year       | <u>\$ 6,438,232</u> | <u>\$ 1,390,098</u>               | <u>\$ 512,378</u>                 | <u>\$ 8,340,708</u> | <u>\$ 7,505,434</u> |

The accompanying notes are an integral part of these financial statements.

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

Consolidated Statement of Cash Flows

Year Ended January 31, 2007  
(With Summarized Financial Information for 2006)

|  | 2007                | 2006                |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities:  |                     |                     |
| Changes in net assets  | <u>\$ 835,274</u>   | <u>\$ 1,324,895</u> |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation   | 214,515             | 199,277             |
| Bad debt expense   | 31,500              | 14,030              |
| Net unrealized gains on investments  | (144,726)           | (260,225)           |
| Net (gain) loss on disposal of fixed assets  | 164                 | (6,039)             |
| (Increase) decrease in:  |                     |                     |
| Accounts receivable  | (5,310)             | 7,324               |
| Contributions receivable   | 62,677              | 31,901              |
| Inventory  | (5,738)             | (1,383)             |
| Due from perpetual trusts and other funds  | (49,233)            | 15,853              |
| Prepaid expenses   | (15,324)            | -                   |
| Increase (decrease) in:  |                     |                     |
| Accounts payable and accrued expenses  | 25,433              | (161,886)           |
| Grants payable   | 10,159              | 1,451               |
| Deferred revenue   | <u>3,281</u>        | <u>53,425</u>       |
| Total adjustments  | <u>127,398</u>      | <u>(106,272)</u>    |
| Net Cash Provided by Operating Activities  | <u>962,672</u>      | <u>1,218,623</u>    |
| Cash Flows from Investing Activities:  |                     |                     |
| Proceeds from sale of fixed assets   | -                   | 8,000               |
| Purchase of property and equipment   | (174,975)           | (365,332)           |
| Net purchase of investments  | (337,317)           | (836,192)           |
| Repayments on notes receivable   | <u>2,390</u>        | <u>2,279</u>        |
| Net Cash Used in Investing Activities  | <u>(509,902)</u>    | <u>(1,191,245)</u>  |
| Cash Flows from Financing Activities:  |                     |                     |
| Payments on line of credit   | (145,000)           | (290,000)           |
| Payments on long-term debt   | (77,673)            | (142,640)           |
| Payments on pension settlement   | (35,128)            | (33,343)            |
| Contributions restricted for long-term investment  | <u>2,183</u>        | <u>85,653</u>       |
| Net Cash Used in Financing Activities  | <u>(255,618)</u>    | <u>(380,330)</u>    |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 197,152             | (352,952)           |
| Cash and Cash Equivalents, beginning of year   | <u>818,547</u>      | <u>1,171,499</u>    |
| Cash and Cash Equivalents, end of year   | <u>\$ 1,015,699</u> | <u>\$ 818,547</u>   |

The accompanying notes are an integral part of these financial statements.

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

Notes to Consolidated Financial Statements

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** – New England Synod of the Evangelical Lutheran Church in America (the Synod) is a not-for-profit organization organized under the laws of the State of Pennsylvania, and is one of sixty-five autonomous synods of the Evangelical Lutheran Church in America (ELCA). The Synod’s constituent congregations reside within the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and the counties of Clinton, Essex and Franklin in the State of New York. The Synod is supported primarily by voluntary contributions from its constituent congregations. In accordance with the Synod’s agreement with the Churchwide Agency, 55% of total unrestricted support (mission support) is remitted to the ELCA. Such amounts are used for the broader expression and global mission of the Church.

**Principles of Consolidation** – The consolidated financial statements also include the Lutheran Outdoor Ministries of New England, Inc. (Calumet), a not-for-profit organization incorporated under the laws of the state of New Hampshire for the purpose of conducting religious service, training and recreational activities. The members of the Synod Council of the New England Synod of the Evangelical Lutheran Church in America are the Lutheran Outdoor Ministries of New England, Inc.’s corporation’s members. The articles of incorporation stipulate that upon dissolution of the corporation, all of its assets shall be distributed to the Synod. Calumet is supported primarily by donations and user fees for tuition, scheduled events and facility rentals.

The New England Synod of the Evangelical Lutheran Church in America and Affiliate on a consolidated basis will therein be referred to as the “Organization.” All significant inter-company transactions and accounts have been eliminated in the consolidation.

**Financial Statement Presentation** – The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions. The Organization has classified its consolidated financial statements to present these three classes of net assets.

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

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

The consolidated 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended January 31, 2006, from which the summarized information was derived.

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

Notes to Consolidated Financial Statements (continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Cash and Cash Equivalents** – For the purpose of reporting cash flows, the Organization considers cash on hand, cash on deposit, and money market funds to be cash equivalents. The Organization also considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable** – Accounts receivable consist of unpaid camperships. The Organization uses the direct write-off method to account for uncollectible accounts. No allowance for doubtful accounts was considered necessary.

**Inventory** – Inventory is valued at the lower of cost or market based on the specific identification method. Inventory is comprised primarily of snack bar items and souvenirs held for sale.

**Property and Equipment** – Property and equipment are carried at cost. Depreciation and amortization is computed using the straight-line method over the asset's useful life. Gains and losses on any disposition of property and equipment are reflected in income.

**Investments** – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the consolidated statement of financial position. The unrealized gains or losses on investments are reported in the consolidated 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.

**Deferred Revenue** – Deferred revenue consists primarily of reservation deposits collected prior to year end for the following summer camp fees.

**Contributions, Gifts and Grants** – The Organization records contributions, gifts and grants as revenue and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their fair value at the date of the gift. Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Notes to Consolidated Financial Statements (continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Tax Status** – New England Synod of the Evangelical Lutheran Church in America and Affiliate are exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying consolidated financial statements.

**Donated Services** – The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the consolidated statement of activities because these services do not meet the criteria for recognition under SFAS No. 116.

**Reclassifications** – Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

**2. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at January 31, 2007 and 2006:

|                                | <b>Estimated<br/>Useful Lives</b> | <b>2007</b>        | <b>2006</b>        |
|--------------------------------|-----------------------------------|--------------------|--------------------|
| Land                           | -                                 | \$ 92,875          | \$ 92,875          |
| Land Improvements              | 40 years                          | 1,152,885          | 1,015,458          |
| Buildings                      | 40 years                          | 4,100,970          | 4,100,970          |
| Furniture and equipment        | 5-10 years                        | 513,392            | 488,695            |
| Software                       | 5 years                           | 3,741              | 2,491              |
| Vehicles                       | 5-10 years                        | <u>130,501</u>     | <u>118,611</u>     |
|                                |                                   | 5,994,364          | 5,819,100          |
| Less: accumulated depreciation |                                   | <u>(1,869,170)</u> | <u>(1,654,202)</u> |
| Property and Equipment, net    |                                   | <u>\$4,125,194</u> | <u>\$4,164,898</u> |

Depreciation expenses for the years ended January 31, 2007 and 2006 were \$214,515 and \$199,277, respectively.

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

Notes to Consolidated Financial Statements (continued)

**3. CONTRIBUTIONS RECEIVABLE**

The Organization has received unconditional promises to give that are expected to be collected during the next six years. The present value of estimated future cash flows of these contributions is discounted at a rate 8.00% and recorded as a receivable in accordance with accounting principles generally accepted in the United States of America.

Contributions receivable consist of the following at January 31, 2007 and 2006:

|  | <b>2007</b>              | <b>2006</b>              |
|--|--------------------------|--------------------------|
| Expansion and renovation                             | \$ 144,336               | \$ 251,815               |
| Youth ministry                                       | 45,670                   | 48,693                   |
| Congregational revitalization                        | 46,624                   | 48,213                   |
| Mission development                                  | 46,586                   | 49,028                   |
| General administrative purposes                      | 6,469                    | 6,869                    |
| Allowance for uncollectible pledges                  | <u>(6,000)</u>           | <u>(12,000)</u>          |
| Contributions receivable before unamortized discount | 283,685                  | 392,618                  |
| Less: unamortized discount                           | <u>(20,692)</u>          | <u>(35,448)</u>          |
| Net contributions receivable                         | 262,993                  | 357,170                  |
| Less: current portion                                | <u>(162,300)</u>         | <u>(226,817)</u>         |
| Contributions receivable, net                        | <u><u>\$ 100,693</u></u> | <u><u>\$ 130,353</u></u> |

Amounts due in:

|                      |                          |                          |
|----------------------|--------------------------|--------------------------|
| Less than one year   | \$ 162,300               | \$ 226,817               |
| One to five years    | 99,093                   | 130,353                  |
| More than five years | <u>1,600</u>             | <u>-</u>                 |
|                      | <u><u>\$ 262,993</u></u> | <u><u>\$ 357,170</u></u> |

**4. INVESTMENTS**

Investments are carried at their fair market value, which is determined on the close of the last business day of trading just prior to or on the day of valuation. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Net realized gains on sales of investments are determined on the basis of average cost. The net increases in the fair value of the investments for the years ended January 31, 2007 and 2006 were \$209,261 and \$327,052, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gains on investments held at January 31, 2007 and 2006 were \$26,210 and \$183,051, respectively.

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

Notes to Consolidated Financial Statements (continued)

**4. INVESTMENTS (continued)**

The Organization received a 5.00% interest in two limited partnerships in 1999 by assignment from a living trust. During fiscal 2006, the Organization received a distribution upon the liquidation of one of the limited partnerships. At January 31, 2007 and 2006, the value of the interests totaled \$53,178 and \$58,625, respectively. The values are maintained at their tax basis as reported by the partnership.

Investments are stated at fair value as follows at January 31, 2007 and 2006:

|                                   | 2007               |                    | 2006               |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | Cost               | Market Value       | Cost               | Market Value       |
| ELCA Endowment Fund A             | \$2,089,589        | \$2,114,483        | \$1,517,488        | \$1,738,003        |
| Mutual funds                      | 734,650            | 734,784            | 706,191            | 667,545            |
| Interest in limited partnerships  | 53,178             | 53,178             | 58,625             | 58,625             |
| Long-term certificates of deposit | 10,000             | 10,000             | 20,000             | 20,000             |
| Equities                          | <u>3,000</u>       | <u>4,182</u>       | <u>3,000</u>       | <u>4,182</u>       |
|                                   | <u>\$2,890,417</u> | <u>\$2,916,627</u> | <u>\$2,305,304</u> | <u>\$2,488,355</u> |

**5. NOTES RECEIVABLE**

|   | 2007             | 2006             |
|---|------------------|------------------|
| Note receivable, from a Congregation, due in monthly installments of \$262 including interest at 4.75%, due April 2012.                         | \$ 14,596        | \$ 16,986        |
| Note receivable, secured by real estate, due because of events described in the agreement. Currently the SYNOD is actively pursuing collection. | <u>30,000</u>    | <u>30,000</u>    |
| Total   | 44,596           | 46,986           |
| Less current portion  | <u>(32,507)</u>  | <u>(32,390)</u>  |
| Notes receivable, net of current portion  | <u>\$ 12,089</u> | <u>\$ 14,596</u> |

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

Notes to Consolidated Financial Statements (continued)

**6. REMAINDER INTEREST GIFTS**

The Organization is the beneficiary of various gift annuities, life insurance policies and remainder trusts. At January 31, 2007 and 2006, the present value of estimated future cash flows from these arrangements totaled \$381,699 and \$327,928, respectively. During the terms of the agreements, the values are subject to adjustment for changes in fair value.

**7. LINE OF CREDIT**

The New England Synod of the Evangelical Lutheran Church in America has a \$50,000 line of credit which is secured by property located in Worcester, Massachusetts. Interest is payable at the bank's base rate plus 1.00% and is renewable annually. At January 31, 2007 and 2006, there was no outstanding balance.

The Affiliate has an \$850,000 and a \$40,000 line of credit, both of which are secured by property located in West Ossipee, New Hampshire and associated rents and leases on property. Interest is payable at the Wall Street Journal Prime Rate and Wall Street Journal Prime Rate plus 1.00% interest, respectively. At January 31, 2007 the rate for each note was 8.25% and 9.25%, respectively. On January 31, 2006 the rates were 6.75% and 8.50%, respectively. Outstanding balances at January 31, 2007 and 2006 were \$65,000 and \$210,000, respectively.

**8. LONG TERM DEBT**

|   | 2007          | 2006       |
|---|---------------|------------|
| Mortgage payable, secured by real estate, due in monthly installments of \$2,357 including interest at 7.15%, with a balloon payment due July 30, 2008.           | \$ 56,828     | \$ 132,857 |
| Note payable, secured by vehicles, due in monthly installments of \$1,027 including interest at 5.25%, due March 2008.  | 13,916        | 25,178     |
| Capital lease payable, secured by equipment, due in monthly installments of \$271 including interest at 10.83%, due January 2009.                                 | 5,834         | 8,307      |
| Capital lease payable, secured by equipment, due in monthly installments of \$270 including interest at 8.05%, due January 2010 with a lump sum buyout provision. | <u>12,091</u> | <u>-</u>   |
| Total   | 88,669        | 166,342    |

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

Notes to Consolidated Financial Statements (continued)

**8. LONG TERM DEBT (continued)**

|  |                  |                   |
|--|------------------|-------------------|
| Less: current portion                  | <u>(32,148)</u>  | <u>(27,545)</u>   |
| Long-term debt, net of current portion | <u>\$ 56,521</u> | <u>\$ 138,797</u> |

Future maturities are due as follows:

|      |                  |
|------|------------------|
| 2008 | 32,148           |
| 2009 | 49,937           |
| 2010 | <u>6,584</u>     |
|      | <u>\$ 88,669</u> |

**9. UNRESTRICTED NET ASSETS DESIGNATED FOR SPECIFIC PURPOSES**

Unrestricted net assets designated for specific purposes are available for following purposes or use at January 31, 2007 and 2006:

|                                 | 2007               | 2006               |
|---------------------------------|--------------------|--------------------|
| Mission development             | \$1,349,139        | \$1,271,498        |
| Urban and multicultural         | 259,521            | -                  |
| Synod fund                      | 256,668            | 232,084            |
| Resident fees                   | 252,218            | 248,937            |
| Camperships and camp operations | 170,944            | 175,208            |
| Synod Assembly                  | 45,130             | 29,169             |
| Property replacement reserve    | 41,937             | 41,937             |
| Bequests and other interests    | 36,956             | 59,862             |
| Staff continuing education      | 11,899             | 10,299             |
| Bishop's convocation            | 7,867              | 8,152              |
| Hammonasset project             | 4,596              | 20,950             |
| Bethesda redevelopment          | 1,602              | 1,550              |
| Debt eradication                | -                  | 4,261              |
| Miscellaneous                   | <u>3,303</u>       | <u>6,350</u>       |
|                                 | <u>\$2,441,780</u> | <u>\$2,110,257</u> |

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

Notes to Consolidated Financial Statements (continued)

**10. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or use at January 31, 2007 and 2006:

|   | 2007               | 2006               |
|---|--------------------|--------------------|
| Remainder interest gifts                | \$ 381,699         | \$ 327,928         |
| Capital campaign                        | 265,290            | 367,432            |
| Mission development                     | 188,827            | 65,654             |
| Youth ministry                          | 129,330            | 50,084             |
| Congregation revitalization             | 123,461            | 38,655             |
| Seminarian Scholarships                 | 94,731             | 79,997             |
| Continuing education                    | 81,027             | 79,340             |
| Interest in limited partnerships        | 53,178             | 58,625             |
| Various camp improvements and memorials | 35,184             | 24,704             |
| Camperships                             | 16,947             | 4,426              |
| Appeal reserve                          | 7,552              | -                  |
| Bishop's discretionary fund             | 6,232              | 10,878             |
| Designated gifts                        | 5,000              | -                  |
| Campus ministry grants and other        | 1,395              | 1,349              |
| Bishop's robes                          | 245                | 476                |
| Payment of accrued pension obligation   | -                  | 35,128             |
| Archives                                | -                  | 3,426              |
|   | <u>          </u>  | <u>          </u>  |
|   | <u>\$1,390,098</u> | <u>\$1,148,102</u> |

**11. PERMANENTLY RESTRICTED NET ASSETS**

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

|                                 | 2007              | 2006               |
|---------------------------------|-------------------|--------------------|
| Synod and/or Calumet operations | \$ -              | \$1,074,615        |
| Camperships and camp operations | 353,771           | 337,332            |
| Seminarian scholarships         | <u>158,607</u>    | <u>158,607</u>     |
|                                 | <u>          </u> | <u>          </u>  |
|                                 | <u>\$ 512,378</u> | <u>\$1,570,554</u> |

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

Notes to Consolidated Financial Statements (continued)

**12. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows:

|  | <b>2007</b>       | <b>2006</b>         |
|--|-------------------|---------------------|
| Purpose restrictions accomplished:                 |                   |                     |
| Capital campaign expenses                          | \$ 339,342        | \$ 625,663          |
| Designated gifts                                   | 189,860           | 268,198             |
| Payment of accrued pension obligation              | 35,128            | 33,343              |
| Seminarian scholarships                            | 29,576            | 31,479              |
| Archives   | 4,911             | 5,408               |
| Debt eradication                                   | 4,261             | -                   |
| Continuing education                               | 1,687             | 1,788               |
| Bishop's robes                                     | 231               | 1,009               |
| Dissolution of interest in partnership             | -                 | 42,613              |
| Donations forwarded to Bishop's discretionary fund | -                 | 3,311               |
|  | <u>\$ 604,996</u> | <u>\$ 1,012,812</u> |

**13. CONCENTRATION OF CREDIT RISK**

The Organization has cash in banks that at times exceeds the federally insured deposit limit of \$100,000. The Organization believes it is not exposed to any significant credit risk on cash balances. The financial stability of these institutions is continually reviewed by management.

**14. EMPLOYEE BENEFITS**

The Organization is a participant in the ELCA's Pension and Other Benefits Program. Included in the program are medical and dental benefits, disability benefits, survivor benefits, and pension and optional pension plans.

The pension plans are organized under Internal Revenue Code Section 403(b). The required pension contribution for most employees is ten percent of defined compensation. In addition, employees may elect to defer additional amounts subject to various limitations. The Organization paid pension expenses of \$101,469 and \$109,481 for the years ended January 31, 2007 and 2006, respectively.

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

Notes to Consolidated Financial Statements (continued)

**15. CONTINGENCIES**

In the normal course of operations, the Organization may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Organization.

The National Lutheran Campus Ministry holds a mortgage note from the New England Synod of the Evangelical Lutheran Church in America in the amount of \$90,018 secured by property in New Haven, Connecticut. Under the terms of the agreement, the Synod is not required to repay the loan unless the property ceases to be used in the manner contemplated by the agreement. No amount is included as a liability as no change is contemplated in its use.

**16. ADJUSTMENTS**

In fiscal year 2007, it was determined that the assets representing two perpetual trusts were not owned by the New England Synod, ELCA. An adjustment was made to remove the assets from the statement of financial position. The cumulative adjustment to permanently restricted net assets decreased previously reported amounts by \$1,074,615.