

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

Consolidated Financial Statements
and
Independent Auditors' Report

Year Ended January 31, 2006

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

Consolidated Financial Statements and Independent Auditors' Report

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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, 2006 and the related consolidated statements of activities 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 2005 financial statements and, in our report dated March 18, 2005, 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 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, 2006 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.

P.L. Jones & Associates, P.C.

March 23, 2006

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

Consolidated Statement of Financial Position

January 31, 2006

(With Summarized Financial Information for 2005)

Assets					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2006	2005
Current Assets:					
Cash and cash equivalents	\$ 648,557	\$ 169,990	\$ -	\$ 818,547	\$ 1,171,499
Accounts receivable	2,407	-	-	2,407	9,731
Contributions receivable	-	226,817	-	226,817	77,685
Inventory	14,906	-	-	14,906	13,523
Current portion of notes receivable	32,390	-	-	32,390	2,280
Due from perpetual trusts	26,309	-	-	26,309	42,162
Prepaid expenses	2,743	-	-	2,743	2,743
Total Current Assets	<u>727,312</u>	<u>396,807</u>	<u>-</u>	<u>1,124,119</u>	<u>1,319,623</u>
Property and Equipment, net	<u>4,164,898</u>	<u>-</u>	<u>-</u>	<u>4,164,898</u>	<u>4,000,804</u>
Other Assets:					
Cash and cash equivalents	-	-	10,392	10,392	96,045
Investments	1,709,794	293,014	485,547	2,488,355	1,449,021
Contributions receivable, net	-	130,353	-	130,353	325,416
Notes receivable, net of current portion	14,596	-	-	14,596	46,985
Perpetual trusts	-	-	1,074,615	1,074,615	1,027,089
Remainder interest gifts	-	327,928	-	327,928	318,371
Total Other Assets	<u>1,724,390</u>	<u>751,295</u>	<u>1,570,554</u>	<u>4,046,239</u>	<u>3,262,927</u>
Total Assets	<u>\$ 6,616,600</u>	<u>\$ 1,148,102</u>	<u>\$ 1,570,554</u>	<u>\$ 9,335,256</u>	<u>\$ 8,583,354</u>
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	\$ 34,739	\$ -	\$ -	\$ 34,739	\$ 165,330
Accrued expenses and payroll liabilities	55,625	-	-	55,625	86,920
Line of credit	210,000	-	-	210,000	500,000
Grants payable	4,436	-	-	4,436	2,985
Deferred revenue	248,937	-	-	248,937	195,512
Current portion of long-term debt	27,545	-	-	27,545	45,505
Total Current Liabilities	<u>581,282</u>	<u>-</u>	<u>-</u>	<u>581,282</u>	<u>996,252</u>
Long-Term Liabilities:					
Long-term debt, net of current portion	138,797	-	-	138,797	263,477
Liability for pension settlement	35,128	-	-	35,128	68,471
Total Long-Term Liabilities	<u>173,925</u>	<u>-</u>	<u>-</u>	<u>173,925</u>	<u>331,948</u>
Total Liabilities	<u>755,207</u>	<u>-</u>	<u>-</u>	<u>755,207</u>	<u>1,328,200</u>
Net Assets:					
Unrestricted:					
Undesignated	3,751,136	-	-	3,751,136	3,205,578
Designated for specific purposes	2,110,257	-	-	2,110,257	1,200,573
Temporarily restricted	-	1,148,102	-	1,148,102	1,347,160
Permanently restricted	-	-	1,570,554	1,570,554	1,501,843
Total Net Assets	<u>5,861,393</u>	<u>1,148,102</u>	<u>1,570,554</u>	<u>8,580,049</u>	<u>7,255,154</u>
Total Liabilities and Net Assets	<u>\$ 6,616,600</u>	<u>\$ 1,148,102</u>	<u>\$ 1,570,554</u>	<u>\$ 9,335,256</u>	<u>\$ 8,583,354</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, 2006
(With Summarized Financial Information for 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2006	2005
Support and Revenue:					
Mission support	\$ 2,275,092	\$ -	\$ -	\$ 2,275,092	\$ 2,320,355
Designated gifts	<u>-</u>	<u>402,232</u>	<u>-</u>	<u>402,232</u>	<u>528,856</u>
Total Support	<u>2,275,092</u>	<u>402,232</u>	<u>-</u>	<u>2,677,324</u>	<u>2,849,211</u>
Other sources:					
Fees, events, rentals and food service	1,994,878	-	-	1,994,878	1,964,059
Contributions	1,158,545	19,549	-	1,178,094	466,484
Capital campaign income	-	322,894	-	322,894	38,641
Investment income	126,746	42,922	-	169,668	106,122
Unrealized gains	165,357	26,157	68,711	260,225	54,321
Grants	-	-	-	-	5,000
Other income	<u>145,476</u>	<u>-</u>	<u>-</u>	<u>145,476</u>	<u>158,542</u>
Total Support and Revenue from Other Sources	<u>3,591,002</u>	<u>411,522</u>	<u>68,711</u>	<u>4,071,235</u>	<u>2,793,169</u>
Net assets released from restrictions	<u>1,012,812</u>	<u>(1,012,812)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>6,878,906</u>	<u>(199,058)</u>	<u>68,711</u>	<u>6,748,559</u>	<u>5,642,380</u>
Expenses:					
Program Expenses:					
ELCA mission support	1,251,301	-	-	1,251,301	1,276,195
Mission programs	329,151	-	-	329,151	304,740
Program services	<u>2,124,156</u>	<u>-</u>	<u>-</u>	<u>2,124,156</u>	<u>1,918,847</u>
Total Program Expenses	<u>3,704,608</u>	<u>-</u>	<u>-</u>	<u>3,704,608</u>	<u>3,499,782</u>
Administrative Expenses:					
Ministry and support	788,928	-	-	788,928	755,354
Capital campaign expense	45,135	-	-	45,135	42,504
General and administrative	<u>214,382</u>	<u>-</u>	<u>-</u>	<u>214,382</u>	<u>396,242</u>
Total Administrative Expenses	<u>1,048,445</u>	<u>-</u>	<u>-</u>	<u>1,048,445</u>	<u>1,194,100</u>
Other Expenses:					
ELCA designated gifts	259,964	-	-	259,964	221,141
Fundraising	197,509	-	-	197,509	225,383
Special events	<u>213,138</u>	<u>-</u>	<u>-</u>	<u>213,138</u>	<u>158,132</u>
Total Other Expenses	<u>670,611</u>	<u>-</u>	<u>-</u>	<u>670,611</u>	<u>604,656</u>
Total Expenses	<u>5,423,664</u>	<u>-</u>	<u>-</u>	<u>5,423,664</u>	<u>5,298,538</u>
Changes in Net Assets	1,455,242	(199,058)	68,711	1,324,895	343,842
Net Assets, beginning of year	4,406,151	1,347,160	1,501,843	7,255,154	6,847,176
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,136</u>
Net Assets, end of year	<u>\$ 5,861,393</u>	<u>\$ 1,148,102</u>	<u>\$ 1,570,554</u>	<u>\$ 8,580,049</u>	<u>\$ 7,255,154</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, 2006
(With Summarized Financial Information for 2005)

	2006	2005
Cash Flows from Operating Activities:		
Changes in net assets	<u>\$ 1,324,895</u>	<u>\$ 343,842</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	199,277	192,529
Bad debt expense	14,030	-
Net unrealized gains on investments	(260,225)	(54,321)
Net gain on sale of fixed assets	(6,039)	-
Contributions restricted for long-term investment	-	(88,312)
(Increase) decrease in:		
Accounts receivable	7,324	(5,658)
Contributions receivable	31,901	231,659
Inventory	(1,383)	6,884
Due from perpetual trusts	15,853	(27,543)
Prepaid expenses	-	2,986
Remainder interest gifts	-	37,461
Increase (decrease) in:		
Accounts payable	(130,591)	(100,578)
Grants payable	1,451	(515)
Accrued expenses and payroll liabilities	(31,295)	47,222
Deferred revenue	<u>53,425</u>	<u>(54,821)</u>
Total adjustments	<u>(106,272)</u>	<u>186,993</u>
Net Cash Provided by Operating Activities	<u>1,218,623</u>	<u>530,835</u>
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	8,000	-
Purchase of property and equipment	(365,332)	(383,689)
Net purchase of investments	(836,192)	(423,072)
Repayments on notes receivable	<u>2,279</u>	<u>2,170</u>
Net Cash Used in Investing Activities	<u>(1,191,245)</u>	<u>(804,591)</u>
Cash Flows from Financing Activities:		
Payments on line of credit	(290,000)	-
Payments on long-term debt	(142,640)	(47,202)
Payments on pension settlement	(33,343)	(28,400)
Contributions restricted for long-term investment	<u>85,653</u>	<u>23,539</u>
Net Cash Used in Financing Activities	<u>(380,330)</u>	<u>(52,063)</u>
Net Decrease in Cash and Cash Equivalents	(352,952)	(325,819)
Cash and Cash Equivalents, beginning of year	<u>1,171,499</u>	<u>1,497,318</u>
Cash and Cash Equivalents, end of year	<u>\$ 818,547</u>	<u>\$ 1,171,499</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 Franklyn 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, 2005, 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 assets 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, 2006 and 2005:

	Estimated Useful Lives	2006	2005
Land	-	\$ 92,875	\$ 92,875
Land Improvements	30 years	1,015,458	618,996
Buildings	30 years	4,100,970	3,609,510
Expansion and renovation	30 years	-	573,045
Furniture and equipment	5-10 years	488,695	440,081
Software	5 years	2,491	2,491
Vehicles	5-10 years	<u>118,611</u>	<u>145,590</u>
		5,819,100	5,482,588
Less: accumulated depreciation		<u>(1,654,202)</u>	<u>(1,481,784)</u>
Property and Equipment, net		<u>\$4,164,898</u>	<u>\$4,000,804</u>

Depreciation expenses for the years ended January 31, 2006 and 2005 were \$199,277 and \$192,529, 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, 2006 and 2005:

	2006	2005
Expansion and renovation	\$ 251,815	\$ 455,265
Mission development	49,028	-
Youth ministry	48,693	-
Congregational revitalization	48,213	-
General administrative purposes	6,869	-
Allowance for uncollectible pledges	<u>(12,000)</u>	<u>(6,000)</u>
Contributions receivable before unamortized discount	392,618	449,265
Less: unamortized discount	<u>(35,448)</u>	<u>(46,164)</u>
Net contributions receivable	357,170	403,101
Less: current portion	<u>(226,817)</u>	<u>(77,685)</u>
Contributions receivable, net	<u><u>\$ 130,353</u></u>	<u><u>\$ 325,416</u></u>

Amounts due in:

Less than one year	\$ 226,817	\$ 77,685
One to five years	130,353	324,848
More than five years	<u>-</u>	<u>568</u>
	<u><u>\$ 357,170</u></u>	<u><u>\$ 403,101</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, 2006 and 2005 were \$327,052 and \$32,592, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gains and losses on investments held at January 31, 2006 and 2005 were \$183,051 and \$140,558, 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, 2006 and 2005, the value from these 5.00% interests totaled \$58,625 and \$101,238, 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, 2006 and 2005:

	2006		2005	
	Cost	Market Value	Cost	Market Value
ELCA Endowment Fund A	\$1,517,488	\$1,738,003	\$1,049,588	\$ 973,999
Mutual funds	706,191	667,545	363,905	299,202
Interest in limited partnerships	58,625	58,625	102,686	101,238
Long-term certificates of deposit	20,000	20,000	70,400	70,400
Equities	<u>3,000</u>	<u>4,182</u>	<u>3,000</u>	<u>4,182</u>
	<u>\$2,305,304</u>	<u>\$2,488,355</u>	<u>\$1,589,579</u>	<u>\$1,449,021</u>

5. NOTES RECEIVABLE

	2006	2005
Note receivable, from a Congregation, due in monthly installment of \$262 including interest at 4.75%, due April 2012.	\$ 16,986	\$ 19,265
Note receivable, secured by real estate, due because of events described in the agreement. Board voted to extend due date until fiscal 2007.	<u>30,000</u>	<u>30,000</u>
Total	46,986	49,265
Less current portion	<u>(32,390)</u>	<u>(2,280)</u>
Notes receivable, net of current portion	<u>\$ 14,596</u>	<u>\$ 46,985</u>

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

Notes to Consolidated Financial Statements (continued)

6. PERPETUAL TRUSTS

The New England Synod of the Evangelical Lutheran Church in America is the beneficiary of two perpetual trusts which are administered by third parties. The Wilber and Irene Hennings Endowment Fund was established to fund seminarian scholarships. The Vernal M. Schnabel Fund was established with the request that the gift be used to support the Lutheran Outdoor Ministries of New England, Inc.

7. REMAINDER INTEREST GIFTS

The Organization is the beneficiary of various gift annuities, life insurance policies and charitable remainder trusts. At January 31, 2006 and 2005, the present value of estimated future cash flows from these arrangements totaled \$327,928 and \$318,371, respectively. During the terms of the agreements, the values are subject to adjustment for changes in fair value.

8. LINE OF CREDIT

The New England Synod of the Evangelical Lutheran Church in America has a \$50,000 line of credit 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, 2006 and 2005, 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, 2006 the rate for each note was 6.75% and 8.50% respectively. On January 31, 2005 the rates were 4.75% and 6.50% respectively. Outstanding balances at January 31, 2006 and 2005 were \$210,000 and \$500,000, respectively.

9. LONG TERM DEBT

	2006	2005
Mortgage payable, secured by real estate, due in monthly installments of \$1,905 including interest at 7.15%, with a balloon payment due July 30, 2008.	\$ 132,857	\$ 145,757
Note payable, secured by vehicles, due in monthly installments of \$1,027 including interest at 5.32%, due March 2008.	25,178	35,856
Capital lease payable, secured by equipment, due in monthly installments of \$271 including interest at 10.83%, due January 2009.	8,307	10,527

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

Notes to Consolidated Financial Statements (continued)

9. LONG TERM DEBT (continued)

Mortgage payable, secured by real estate, due in monthly installments of \$2,024 including interest at 4.25%, due June 2010. The note was paid in full in fiscal 2006.

	-	<u>116,842</u>
Total	166,342	308,982
Less: current portion	<u>(27,545)</u>	<u>(45,505)</u>
Long-term debt, net of current portion	<u>\$ 138,797</u>	<u>\$ 263,477</u>

Future maturities are due as follows:

2007	\$ 27,545
2008	29,505
2009	<u>109,292</u>
	<u>\$ 166,342</u>

10. UNRESTRICTED NET ASSETS DESIGNATED FOR SPECIFIC PURPOSES

Unrestricted net assets designated for specific purposes are available for following purposes or use at January 31, 2006 and 2005:

	2006	2005
Mission development	\$1,271,498	\$ 463,767
Resident fees	248,937	195,512
Synod fund	232,084	295,715
Camperships and camp operations	175,208	156,519
Bequests and other interests	59,862	-
Property replacement reserve	41,937	41,937
Synod Assembly	29,169	6,331
Hammonasset project	20,950	14,399
Staff continuing education	10,299	10,681
Bishop's convocation	8,152	8,663
Debt eradication	4,261	4,152
Bethesda redevelopment	1,550	1,510
Miscellaneous	<u>6,350</u>	<u>1,387</u>
	<u>\$2,110,257</u>	<u>\$1,200,573</u>

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

Notes to Consolidated Financial Statements (continued)

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or use at January 31, 2006 and 2005:

	2006	2005
Capital campaign	\$ 367,432	\$ 706,508
Remainder interest gifts	327,928	318,371
Seminarian Scholarships	79,997	60,092
Continuing education	79,340	81,128
Mission development	65,654	-
Interest in limited partnerships	58,625	101,238
Youth ministry	50,084	-
Congregation revitalization	38,655	-
Payment of accrued pension obligation	35,128	40,071
Various camp improvements and memorials	24,704	15,525
Bishop's discretionary fund	10,878	10,271
Camperships	4,426	2,482
Archives	3,426	8,675
Campus ministry grants and other	1,349	1,314
Bishop's robes	<u>476</u>	<u>1,485</u>
	<u>\$1,148,102</u>	<u>\$1,347,160</u>

12. PERMANENTLY RESTRICTED NET ASSETS

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

	2006	2005
Synod and/or Calumet operations	\$1,074,615	\$1,027,089
Camperships and camp operations	337,332	316,147
Seminarian scholarships	<u>158,607</u>	<u>158,607</u>
	<u>\$1,570,554</u>	<u>\$1,501,843</u>

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

Notes to Consolidated Financial Statements (continued)

13. 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:

	2006	2005
Purpose restrictions accomplished:		
Capital campaign expenses	\$ 625,663	\$ 451,545
Designated gifts	268,198	233,221
Dissolution of interest in partnership	42,613	-
Payment of accrued pension obligation	33,343	28,400
Seminarian scholarships	31,479	32,638
Archives	5,408	432
Donations forwarded to Bishop's discretionary fund	3,311	4,150
Continuing education	1,788	-
Evangelical Lutheran Church in Jordan (ELCJ)	-	3,690
Bishop's robes	<u>1,009</u>	<u>1,904</u>
	<u>1,012,812</u>	<u>755,980</u>
Use restrictions accomplished:		
Remainder interest gifts	<u>-</u>	<u>44,148</u>
	<u>\$1,012,812</u>	<u>\$ 800,128</u>

14. 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.

15. 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 \$109,481 and \$103,743 for the years ended January 31, 2006 and 2005, respectively.

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

Notes to Consolidated Financial Statements (continued)

16. 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.

17. PRIOR PERIOD ADJUSTMENT

In fiscal 2005, the Organization paid expenses which were incurred in fiscal 2004 and not recorded. In addition, the value of interests in two limited partnerships was not reported in the prior consolidated financial statements. An adjustment was made to recognize expenses in the proper period and record the fair market value of the interests in the limited partnerships. The cumulative adjustment to net assets increased previously reported amounts by \$64,136.