

Financial Statements

Evangelical Lutheran Church in Canada

December 31, 2008

AUDITORS' REPORT

To the National Church Council of the
Evangelical Lutheran Church in Canada

We have audited the statement of financial position of the **Evangelical Lutheran Church in Canada** as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the **Evangelical Lutheran Church in Canada** as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada,
April 3, 2009.

Ernst & Young LLP

Chartered Accountants

Evangelical Lutheran Church in Canada

STATEMENT OF FINANCIAL POSITION

As at December 31

	2008	2007
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	312,153	188,913
Accounts and other receivables	824,878	935,320
Prepaid expenses	26,875	31,661
Total current assets	1,163,906	1,155,894
Investments <i>[notes 4 and 10]</i>	10,762,488	11,022,029
Land held for future development	2,156,382	3,526,025
Mortgages receivable <i>[note 5]</i>	9,068,974	8,899,604
Capital assets, net <i>[note 6]</i>	117,192	168,086
Funds held for Continuing Education Plan <i>[note 9]</i>	650,535	—
	23,919,477	24,771,638
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	889,127	923,692
Current certificates payable <i>[note 7]</i>	291,635	436,808
Total current liabilities	1,180,762	1,360,500
Certificates payable <i>[note 7]</i>	1,493,642	1,451,856
Deferred revenue <i>[note 8]</i>	606,787	475,989
Continuing Education Plan <i>[note 9]</i>	650,535	573,165
Other liabilities	188,388	552,353
Total liabilities	4,120,114	4,413,863
Contingencies and commitments <i>[notes 10 and 17]</i>		
Net assets		
Invested in capital assets	117,192	168,086
Endowments <i>[note 11]</i>	2,058,923	2,038,456
Internally restricted <i>[note 12]</i>	16,983,642	17,444,169
Unrestricted	639,606	707,064
Total net assets	19,799,363	20,357,775
	23,919,477	24,771,638

See accompanying notes

On behalf of the National Church Council:

Director

Director

Evangelical Lutheran Church in Canada

STATEMENT OF OPERATIONS

Year ended December 31

	2008	2007
	\$	\$
REVENUE		
Synods <i>[note 13]</i>	1,045,158	1,069,396
Directed <i>[note 14]</i>	546,140	475,868
Evangelical Lutheran Women Praise Offering	100,000	100,000
GHDA <i>[note 15]</i>	651,086	662,564
Canadian Lutheran World Relief	568,275	530,144
Canada Lutheran	218,840	205,001
Convention	—	351,971
Affiliated Conferences & Events	905,928	29,315
Investment income <i>[note 4]</i>	80,743	659,753
Other	38,172	64,055
	4,154,342	4,148,067
EXPENSES <i>[note 16]</i>		
Global Ministries	668,480	611,511
National Ministries	420,778	468,708
Synodical Ministries <i>[note 5]</i>	737,776	729,002
Support to Ministries	366,890	385,107
Partnerships	117,358	126,704
GHDA <i>[note 15]</i>	651,086	662,564
Canadian Lutheran World Relief	568,275	530,144
Canada Lutheran	222,997	210,947
Convention	23,437	359,632
Affiliated Conferences & Events	784,601	87,575
Interest expense		
Short-term	14,507	15,022
Long-term	47,186	47,719
Amortization	58,501	63,591
	4,681,872	4,298,226
Excess of expenses over revenue before the following	(527,530)	(150,159)
Pension contributions towards deficit funding <i>[note 10]</i>	(33,102)	(550,000)
Realized and unrealized loss on land held for future development	(18,247)	(191,584)
Excess of expenses over revenue for the year	(578,879)	(891,743)

See accompanying notes

Evangelical Lutheran Church in Canada

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2008				2007	
	Invested in capital assets \$	Endowments \$ <i>[note 11]</i>	Internally restricted \$ <i>[note 12]</i>	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year	168,086	2,038,456	17,444,169	707,064	20,357,775	21,225,592
Excess of expenses over revenue for the year <i>[note 12]</i>	(58,501)	—	(460,527)	(59,851)	(578,879)	(891,743)
Investment in capital assets	7,607	—	—	(7,607)	—	—
Endowment contributions, including restricted investment returns	—	20,467	—	—	20,467	23,926
Net assets, end of year	117,192	2,058,923	16,983,642	639,606	19,799,363	20,357,775

See accompanying notes

Evangelical Lutheran Church in Canada

STATEMENT OF CASH FLOWS

Year ended December 31

	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	(578,879)	(891,743)
Add charges to operations not requiring a current cash payment		
Amortization	58,501	63,591
Realized and unrealized loss on land held for future development	18,247	191,584
	<u>(502,131)</u>	<u>(636,568)</u>
Changes in non-cash working capital balances related to operations		
Accounts and other receivables	110,442	(132,632)
Prepaid expenses	4,786	35,993
Accounts payable and accrued liabilities	(34,565)	(59,005)
Deferred revenue	130,798	(51,783)
Other liabilities	(363,965)	(24,551)
Cash used in operating activities	<u>(654,635)</u>	<u>(868,546)</u>
INVESTING ACTIVITIES		
Mortgages granted	(1,197,584)	(200,000)
Mortgage principal payments received	1,028,214	678,351
Purchase of capital assets	(7,607)	(15,237)
Proceeds from sale (purchase) of land held for future development	1,351,396	(1,092,858)
Funds restricted for Continuing Education Plan	(650,535)	—
Net decrease in investments	259,541	652,507
Cash provided by investing activities	<u>783,425</u>	<u>22,763</u>
FINANCING ACTIVITIES		
Endowment contributions	20,467	23,926
Increase (decrease) in certificates payable	(103,387)	3,775
Increase in Continuing Education Plan	77,370	11,610
Cash provided by (used in) financing activities	<u>(5,550)</u>	<u>39,311</u>
Net increase (decrease) in cash and cash equivalents during the year	123,240	(806,472)
Cash and cash equivalents, beginning of year	188,913	995,385
Cash and cash equivalents, end of year	<u>312,153</u>	<u>188,913</u>
Supplemental cash flow information		
Interest paid	61,693	62,741

See accompanying notes

Evangelical Lutheran Church in Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. PURPOSE OF ORGANIZATION

The Evangelical Lutheran Church in Canada ["ELCIC"] is a national organization, the mission of which, as an expression of the universal Church and as an instrument of the Holy Spirit, is to bring the Gospel of Jesus Christ to people in Canada and around the world through the proclamation of the Word and the administration of the Sacraments and through service in Christ's name. The ELCIC was incorporated in Canada on December 12, 1985 under the provisions of the Evangelical Lutheran Church in Canada Act and is a registered charity under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of ELCIC have been prepared by management in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

Revenue recognition

ELCIC follows the deferral method of accounting for contributions:

- Unrestricted and internally restricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred and are recorded in deferred revenue until that time.
- Externally endowed contributions, which represent amounts for which only the income earned thereon is available for either general operating or specified restricted purposes, are recognized as direct increases to net assets.
- Contributions which are restricted for endowment purposes by the Board of Directors are recognized as revenue following the recognition policy for restricted or unrestricted contributions as appropriate depending on their nature. Once recorded in income, they are transferred from unrestricted net assets to endowments.

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- Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.
- Unrestricted investment income is recognized as revenue when earned.

Mortgages receivable and rebates

Mortgages receivable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. Rebates payable on mortgages receivable and to Synods as defined in note 5 are accrued in the period that the related interest is earned if the amounts are known.

Investments

Investments consist of pooled funds which are valued based on reported unit values. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Capital assets

Capital assets are carried at cost less accumulated amortization. Normal repairs and maintenance are expensed as incurred. Amortization is calculated on a straight-line basis as follows:

Furniture	10 years
Equipment	5 years
Computer database	10 years
Leasehold improvements	Over the remaining lease term

Contributed materials and services

Volunteers contribute a significant number of hours each year to assist ELCIC in carrying out its mission. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

Pension plans

Contributions to the multi-employer pension plan are recorded when payments are due.

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Certificates payable

Certificates payable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Use of estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require the ELCIC to make assumptions and estimates that affect reported amounts of assets, liabilities, revenue and expenses and disclosures of contingencies. Actual results could differ from these estimates.

Land held for future development

Land is held for future development of church property sites through the Church Extension and Capital Fund Program [the "CECF"]. Land held for development is recorded at the lower of cost and net realizable value and totals \$2,156,382 [2007 - \$3,526,025].

Financial instruments

Financial instruments include cash and cash equivalents, accounts and other receivables, investments, mortgages receivable, funds restricted for Continuing Education Plan, accounts payable and accrued liabilities, certificates payable, Continuing Education Plan and other liabilities. Investments are classified as "held-for-trading" and presented at fair value. ELCIC's other financial assets and liabilities are presented at amortized cost which approximates fair value.

ELCIC is subject to interest, market and foreign currency risk with respect to its investments [note 4]. To manage these risks, ELCIC has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. In addition, ELCIC is subject to credit risk on accounts receivable and mortgages receivable. To manage these risks, ELCIC regularly monitors collection activity and has security over real property to support mortgages receivable. It is management's opinion that ELCIC is not exposed to significant liquidity and cash flow risk arising from the financial instruments noted.

ELCIC has chosen to apply Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861, "Financial Instruments – Disclosure and Presentation" in place of CICA 3862, "Financial Instruments – Disclosures" and CICA 3863, "Financial Instruments – Presentation".

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Changes in accounting policies

Capital disclosures

Effective January 1, 2008, ELCIC adopted the recommendations of CICA 1535, "Capital Disclosures", which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the organization's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 19.

Future changes in accounting policies

Financial statement presentation

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that related to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540, "Cash Flow Statements" applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations", was included in the revisions which requires certain disclosures when fundraising and general support expense are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing for their adoption. However, the impact will be limited to reclassification of numbers in the financial statements and additional disclosures.

Financial statement concepts

In February 2008, the Accounting Standards Board amended CICA 1000, "Financial Statement Concepts" to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the statement of financial position.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. These amendments are not expected to have an impact on the financial statements.

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3. CREDIT FACILITY

ELCIC has a revolving line of credit in the amount of \$350,000 available through overdraft on the current bank account. A general security agreement exists for the bank indebtedness. The line of credit bears interest at the bank's prime rate. At December 31, 2008, there was no balance outstanding on the credit facility.

4. INVESTMENTS

The investments are held in pooled funds managed by Greystone Managed Investments Inc. As at December 31, the investments, which are recorded at market value, consist of the following funds:

	2008	2007
	\$	\$
Fixed income		
Money Market Fund	741,488	965,392
Fixed Income Fund	6,999,021	7,868,778
Guaranteed Investment Certificates	1,050,000	—
Total fixed income	8,790,509	8,834,170
Equities		
Canadian Equity Fund	940,285	1,119,927
U.S. Equity Fund	1,031,694	1,067,932
Total equities	1,971,979	2,187,859
	10,762,488	11,022,029

Investment income for the year consists of the following:

	2008	2007
	\$	\$
Income earned on investments held for endowment	61,181	60,427
Income (loss) on other investments	(296,617)	315,618
Interest on mortgages receivable <i>[note 5]</i>	377,360	344,135
Less allocation of restricted endowment income		
To be retained in endowments	(4,843)	(4,093)
Recorded within directed income for specified programs <i>[note 14]</i>	(56,338)	(56,334)
	80,743	659,753

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Income (loss) on other investments is comprised of income distributions from pooled funds, interest earned on cash and cash equivalents and realized and unrealized gains or losses less management fee expense.

5. MORTGAGES RECEIVABLE

Mortgages receivable consist of funds provided to congregations and affiliated organizations of ELCIC by the CECF and the ELCIC Lutheran Investment Funds and Endowments Program ["LIFE"] to finance land acquisition, new church construction or church renovation projects. The mortgages are based on a 5-year term, issued at interest rates ranging from 0% to 6% with repayment terms amortized on average over 25 years. Provisions are made for doubtful accounts, according to the policy of each program. CECF and LIFE typically renew the mortgages as they become due and accordingly all amounts have been classified as long-term. Management has estimated that the fair values of mortgages receivable would not be significantly different from the carrying value.

A mortgage interest rebate is paid to congregations provided that all CECF mortgage repayments have been made in full and on time. For the first five years from the date of the original mortgage, the rebate is 90% of the mortgage interest paid by that congregation. Congregations with mortgages held for more than five years receive a rebate each year as follows: year 6 at 75%; year 7 at 60%; year 8 at 45%; year 9 at 30%; and year 10 at 15%. After year 10, congregations receive no mortgage interest rebate. A transition period began January 1, 2004 whereby every congregation holding a CECF mortgage for more than 5 years was to be treated as a 6 year mortgage congregation in 2004 and follow the reduction policy for four subsequent years. For 2008, mortgage interest rebates were \$157,497 [2007 - \$154,593] and recorded as part of Synodical Ministries expense.

The CECF earned income on investment balances that are invested according to the investment policy of ELCIC. The CECF Advisory Board allocates approximately 90% of the earned interest to the Synods. These funds are restricted for "Canadian Mission" initiatives at the Synodical level. The formula for allocation shall be based on the baptized membership of Synods using the most recent statistical year end report. As a result of the current market conditions, the 2008 interest rebates to the Synods were a one-time payment of \$100,000 [2007 - \$123,338] and recorded as part of Synodical Ministries expense.

Evangelical Lutheran Church in Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

6. CAPITAL ASSETS

	2008		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture	101,148	98,579	2,569
Equipment	443,149	416,755	26,394
Computer database	441,145	352,916	88,229
	985,442	868,250	117,192
	2007		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture	101,148	97,931	3,217
Equipment	435,541	403,016	32,525
Computer database	441,145	308,801	132,344
Leasehold improvements	97,697	97,697	—
	1,075,531	907,445	168,086

7. CERTIFICATES PAYABLE

Investment certificates are issued to contributors who wish to provide funds to LIFE for the purpose of granting mortgages as described in note 5. The certificates are issued either on a cashable basis or for a five-year term, at the option of each investor. Certificate holders receive interest payments annually at varying interest rates ranging from 1.5% to 3.5% in accordance with LIFE policy or accrue interest on the original deposit balance.

	2008 \$	2007 \$
Total certificates payable	1,785,277	1,888,664
Less current portion	291,635	436,808
	1,493,642	1,451,856

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Estimated future principal repayments are as follows:

	\$
2009	291,634
2010	482,581
2011	569,115
2012	194,153
2013	247,794
	<u>1,785,277</u>

Management estimates that fair value based on market rates for similar investment certificates would not be significantly different from the carrying value.

8. DEFERRED REVENUE

Deferred revenue related to restricted funding received or generated in the current or prior periods to fund expenses in future periods is as follows:

	2008 \$	2007 \$
Global Ministries	228,009	289,462
National Ministries	154,055	11,966
Synodical Ministries	138,384	131,034
Canada Lutheran	86,339	43,527
	<u>606,787</u>	<u>475,989</u>

9. CONTINUING EDUCATION PLAN

ELCIC established the Continuing Education Plan ["CEP"] for employees working with congregations and agencies affiliated with the Evangelical Lutheran Church in Canada. Contributions are received from the employers at a rate of 2/3 contributed by the employer and 1/3 contributed by the employee. The funds are maintained in individual accounts for each employee. Funds can be withdrawn by the employee for educational purposes that further the employee's goals for ministry and serve the employer's goals for mission.

Effective January 1, 2008, the financial administration of CEP funds was transferred to ELCIC Group Services Inc. ["GSI"] and the related funds are held in trust by GSI in a separate bank account for administering the plan.

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	2008	2007
	\$	\$
Balance, beginning of year	573,165	561,555
Transfer to long-term study grants	—	(8,239)
Contributions	268,002	155,037
Withdrawals	(190,632)	(135,188)
Balance, end of year	650,535	573,165

10. PENSION PLAN

ELCIC and its employees make contributions to the Pension Plan for Clergy and Layworkers of the Evangelical Lutheran Church in Canada [the "Pension Plan"], a multi-employer pension plan administered by GSI. Pension contributions for the year were \$67,920 [2007 - \$70,841].

ELCIC was formerly the Administrator of the Pension Plan. Under governing pension legislation, the Administrator of the Pension Plan could have potential liability for any unfunded liabilities or solvency deficiencies which may arise under the retired life component of the Pension Plan as determined by an actuarial valuation. This liability arises only after a number of other legislated funding amounts from other sources have been exhausted. A preliminary actuarial valuation was completed as of December 31, 2008 and reported an unfunded liability. The Pension Plan's draft December 31, 2008 financial statements indicate an unfunded liability in the amount of \$8,188,189 [2007 - \$9,516,274], which is likely the maximum amount as any changes made to finalize the valuation are expected to reduce the unfunded liability.

As at December 31, 2008, the liability of ELCIC, if any, as a result of its previous role as Administrator of the Pension Plan cannot be determined, and the extent of such liability, if any, cannot be estimated. Accordingly, no amounts related to this contingency have been recorded in these financial statements.

ELCIC, as an employer, has been asked to fund its proportionate share of the liability and these amounts are included in the \$67,920 [2007 - \$70,841] of contributions noted above. In addition, during the year, ELCIC contributed \$33,102 [2007 - \$550,000] to the unfunded liability.

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In 2008, ELCIC secured a letter of credit in the amount of \$5,000,000 to ensure compliance of the Pension Plan with the solvency funding requirements under the Alberta Employment Pension Plans Act. As Administrator of the Pension Plan, GSI is responsible to pay the fee for the letter of credit at 1% of the face value. The letter of credit is supported by a general security agreement and ELCIC's investments in pooled funds [note 4]. The letter of credit matures on December 31, 2009 and is subject to annual renewal and the renewal amount is determined based on the actuarial valuation report of the Pension Plan.

11. ENDOWMENTS

Endowments represent externally and internally restricted capital that must be maintained permanently where the income is available for various purposes. Major categories of endowments are as follows:

	2008	2007
	\$	\$
LIFE		
Externally restricted endowments held, restricted income	315,719	295,892
Funds restricted for endowment purposes by the Board of Directors, unrestricted income	1,743,204	1,742,564
	<u>2,058,923</u>	<u>2,038,456</u>

By Board approved resolution, 25% of undesignated bequests are allocated to the LIFE general endowment program. The income earned on these LIFE endowment amounts is unrestricted.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2008

12. INTERNALLY RESTRICTED NET ASSETS

Internal restrictions on net assets are imposed at the discretion of the National Church Council or in accordance with existing ELCIC policies.

	2008	2007
	\$	\$
Operations		
Reserve funds to support specific programs	486,748	404,469
Reserve funds to support operations	747,424	747,428
Continuing education funds for members' long-term study benefits	—	84,509
	<u>1,234,172</u>	<u>1,236,406</u>
CECF		
Land held for future development	2,156,382	3,526,025
Equity to support mortgage financing and land acquisition	12,040,656	10,807,934
	<u>14,197,038</u>	<u>14,333,959</u>
LIFE		
Equity to support annuities	174,321	182,044
Equity to support mortgage financing	1,316,300	1,562,098
Equity to support World Mission loans	61,811	73,076
	<u>1,552,432</u>	<u>1,817,218</u>
Benefits Reserve Program		
Equity to support other liabilities	—	56,586
	<u>—</u>	<u>56,586</u>
	<u>16,983,642</u>	<u>17,444,169</u>

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Internally restricted excess of revenue over expenses (expenses over revenue) as summarized in the statement of changes in net assets consists of the following:

	2008	2007
	\$	\$
Operations		
Canada Lutheran Convention	(4,157)	(5,946)
Continuing Education Program	(23,437)	(7,661)
Affiliated Conferences & Events	(84,509)	6,270
Other program support	121,327	(58,260)
	(11,454)	(15,558)
	(2,230)	(81,155)
CECF		
Net operations	(136,921)	(126,008)
LIFE		
Net operations	(264,790)	(57,327)
Benefits Reserve Program		
Net operations	(56,586)	(575,489)
Excess of expenses over revenue for the year	(460,527)	(839,979)

13. SYNODS

During the year, ELCIC received benevolence contributions from the Synods as follows:

	2008	2007
	\$	\$
Eastern Synod	332,200	342,700
Manitoba/Northwestern Ontario Synod	167,920	168,696
Saskatchewan Synod	222,420	216,000
Synod of Alberta and The Territories	272,618	292,000
British Columbia Synod	50,000	50,000
	1,045,158	1,069,396

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14. DIRECTED INCOME

During the year, ELCIC recognized directed income as follows:

	2008 \$	2007 \$
Operations		
Global Ministries		
Mission in the World	445,517	375,474
National Ministries		
Colleges and church schools	4,000	4,150
Worship	11,156	12,061
Communications	2,170	77
Information technology	12,495	11,963
Synodical Ministries		
Youth	22,630	3,065
Stewardship	3,691	5,691
Other synodical ministries	10,803	19,754
Leadership	22,908	16,162
Partnerships		
LWF Assembly	110	4,701
	535,480	453,098
CECF		
Synod consultant fees	2,500	2,250
National initiatives	8,160	20
LIFE		
Bequests	—	500
Annuity	—	20,000
	546,140	475,868

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15. GLOBAL HUNGER AND DEVELOPMENT APPEAL ["GHDA"]

ELCIC receives funds from synods and individuals to support international and domestic relief programs through GHDA. GHDA funds, including directed gifts, are remitted to specified agencies responsible for international and domestic relief programs. Disbursements are summarized as follows:

	2008	2007
	\$	\$
Global Ministries		
Canadian Lutheran World Relief	457,241	469,260
Lutheran World Federation	1,681	4,815
ELCA	382	650
Disaster Fund	1,000	10,000
Coalition support	84,800	76,800
Partner churches	7,332	4,260
Public policy	2,400	2,462
	<u>554,836</u>	<u>568,247</u>
Synodical Ministries		
Synod program support	54,363	56,529
Education and interpretation	30,960	27,443
	<u>85,323</u>	<u>83,972</u>
Support to Ministries	10,927	10,345
	<u>651,086</u>	<u>662,564</u>

16. EXPENSES

[a] Program and administration expenses are categorized as follows:

- Global Ministries includes Mission in the World and staff costs.
- National Ministries includes National Church Council, special projects, public policy, support to colleges and church schools, worship, communications, information technology, travel and staff costs.
- Synodical Ministries includes Canadian mission, leadership, stewardship, youth, Conference of Bishops, national/synodical conferences, women in ministry, Chinese special interest conference, CEP and staff costs.

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- Support to Ministries includes office and administration expenses including rent, telephones, insurance, audit fees, legal fees and staff costs.
- Partnerships includes Lutheran as well as ecumenical relationships. Lutheran relationships include the Lutheran World Federation and Lutheran Council in Canada. Ecumenical relationships include the Joint Anglican/Lutheran Commission as well as relations with other denominations.

[b] Total cost for staff wages and benefits for the national office employees included in the various program expense categories was \$824,588 in 2008 and \$825,277 in 2007.

17. CONTINGENCIES AND COMMITMENTS

[a] Loan guarantees

LutherCare Communities

By agreement dated December 1976, ELCIC granted LutherCare Communities [Lutheran Sunset Home of Saskatoon] the right to purchase a Saskatoon block of land for nominal consideration until May 2077. As the title to this land remains in the name of ELCIC, ELCIC appears as a guarantor of certain mortgage loans that have been granted to LutherCare Communities. ELCIC's exposure, by way of loan principal balance owing as at March 31, was as follows:

	2008	2007
	\$	\$
CMHC Ref #15410136 - 10.369% due 10/01/2028	3,178,649	3,222,752
CMHC Ref #19410089 - 4.42% due 02/01/2017	2,580,713	2,712,212

The term of the guarantees on the mortgage loans extends until the due date of the respective debt.

All guarantees can be exercised in the event of default by the guaranteed party. No carrying amount is recorded for the guarantee obligations in the financial statements. There are no recourse provisions or assets held as collateral to enable recovery of any amounts paid by ELCIC under the guarantees.

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[b] Operating lease

On March 31, 1998, ELCIC entered into a ten-year lease for its own Winnipeg office requirements and that of certain of its affiliated entities. Its lease commitments were at annual rates of \$66,320 until March 2008 plus its share of certain operating costs, estimated to be \$81,165 annually for the term of the lease. The lease was renewed for a further five-year term from March 2008 to April 30, 2013.

18. RELATED PARTY TRANSACTIONS AND CONTROLLED INTEREST

ELCIC is the sole member of GSI. GSI is incorporated under the Corporations Act (Manitoba) as a not-for-profit organization and falls under paragraph 149(1)(1) of the Income Tax Act. Pursuant to certain terms outlined in its Articles of Incorporation, GSI's operations are restricted to assist ELCIC and other entities associated with ELCIC by administering the pension plan and facilitating the provision of employment benefit programs and services to such entities for their employees. ELCIC appoints the members of GSI's Board of Directors.

GSI has not been consolidated in ELCIC's financial statements. Financial summaries of this unconsolidated entity as at December 31, 2008 and 2007 and for the years then ended, which do not include the assets or obligations of the Pension Plan, are as follows:

ELCIC Group Services Inc.

	2008	2007
	\$	\$
Financial position		
Total assets	794,532	576,409
Total liabilities	227,607	15,910
Total net assets	<u>566,925</u>	<u>560,499</u>
Results of operations		
Total revenue	318,358	657,096
Total expenses	311,932	(834,405)
Excess of revenue over expenses (expenses over revenue)	<u>6,426</u>	<u>(177,309)</u>
Cash flows		
Cash provided by (used in) operating activities	17,175	(48,916)
Cash used in investing and financing activities	(38,901)	—
Net decrease in cash	<u>(21,726)</u>	<u>(48,916)</u>

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In addition, GSI is the current Administrator of the Pension Plan and has disclosed a contingent obligation for the unfunded liability that exists in the retired life portion of the Pension Plan totaling \$8,188,189. As at December 31, 2008, no amounts were accrued in GSI's financial statements for the contingent obligation due to the current funding plan and the letter of credit provided by ELCIC [note 10].

19. CAPITAL MANAGEMENT

In managing capital, ELCIC focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. ELCIC has an available line of credit of \$350,000 that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures [note 3]. As at December 31, 2008, ELCIC has met its objective of having sufficient liquid resources to meet its current obligations.