

Financial Statements

**Evangelical Lutheran Church in Canada**  
December 31, 2015



# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **Evangelical Lutheran Church in Canada**, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Evangelical Lutheran Church in Canada** as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Canada  
May 6, 2016

*Ernst & Young LLP*

Chartered Professional Accountants

Evangelical Lutheran Church in Canada


STATEMENT OF FINANCIAL POSITION

As at December 31

	2015	2014
	\$	\$
<b>ASSETS [note 3]</b>		
<b>Current</b>		
Cash and cash equivalents	456,933	436,817
Accounts and other receivables	403,787	217,428
Current portion of mortgages receivable [note 5]	768,624	3,342,653
Land held for sale	—	48,412
Prepaid expenses	30,519	26,980
<b>Total current assets</b>	<b>1,659,863</b>	<b>4,072,290</b>
Investments [note 4]	20,614,893	20,734,357
Land held for future development [note 2]	782,260	782,260
Mortgages receivable [note 5]	1,742,945	705,362
Capital assets, net [note 6]	32,894	34,862
Funds held for Continuing Education Plan [note 9]	900,855	866,002
	<b>25,733,710</b>	<b>27,195,133</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	448,235	733,328
Current portion of certificates payable [note 7]	599,509	752,796
<b>Total current liabilities</b>	<b>1,047,744</b>	<b>1,486,124</b>
Certificates payable [note 7]	281,202	696,418
Deferred contributions [note 8]	939,985	918,068
Continuing Education Plan [note 9]	900,855	866,002
Other liabilities	107,796	132,211
<b>Total liabilities</b>	<b>3,277,582</b>	<b>4,098,823</b>
Contingencies and commitments [note 16]		
<b>Net assets</b>		
Endowments [note 11]	3,036,094	2,724,108
Internally restricted [note 12]	17,931,995	18,893,235
Unrestricted	1,488,039	1,478,967
<b>Total net assets</b>	<b>22,456,128</b>	<b>23,096,310</b>
	<b>25,733,710</b>	<b>27,195,133</b>

See accompanying notes

On behalf of the National Church Council:

  
Director

## Evangelical Lutheran Church in Canada

### STATEMENT OF OPERATIONS

Year ended December 31

	2015	2014
	\$	\$
<b>REVENUE</b>		
Synods <i>[note 13]</i>	849,205	834,349
Directed income <i>[note 14]</i>	620,551	413,785
ELCIC Praise Appeal	34,675	73,032
Canada Lutheran	242,644	225,022
Convention	372,239	—
Affiliated conferences and events	3,269	488,399
Investment income <i>[note 4]</i>	216,566	1,143,269
Other	55,262	64,453
	<b>2,394,411</b>	<b>3,242,309</b>
<b>EXPENSES <i>[note 15]</i></b>		
Global Ministries	90,793	51,196
National Ministries	616,232	454,048
Synodical Ministries <i>[note 5]</i>	908,158	822,713
Support to Ministries	93,259	71,749
Partnerships	110,021	101,668
Canada Lutheran	247,577	236,389
Convention	381,193	13,778
Salaries and benefits <i>[note 15]</i>	612,207	610,629
Affiliated conferences and events	32,358	394,678
Interest expense		
Short-term	7,149	13,145
Long-term	21,280	28,734
Amortization	11,751	10,998
	<b>3,131,978</b>	<b>2,809,725</b>
Excess (deficiency) of revenue over expenses before the following	<b>(737,567)</b>	432,584
Realized gain on sale of land held for future development	53,074	202,874
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(684,493)</b>	<b>635,458</b>

See accompanying notes

**Evangelical Lutheran Church in Canada**

**STATEMENT OF CHANGES IN NET ASSETS**

	<b>Endowments</b>	<b>Internally restricted</b>	<b>Unrestricted</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Net assets, December 31, 2014</b>	2,724,108	18,893,235	1,478,967	23,096,310
Excess (deficiency) of revenue over expenses for the year <i>[note 12]</i>	—	(720,565)	36,072	(684,493)
Endowment contributions, including restricted investment returns	44,311	—	—	44,311
Transfer of unrestricted reserves to internally restricted reserves <i>[note 12]</i>	—	27,000	(27,000)	—
Transfer of previously restricted reserves to endowments <i>[note 11]</i>	250,000	(250,000)	—	—
Transfer of undesignated bequests to internal endowments as per National Church Council approved policy <i>[note 11]</i>	17,675	(17,675)	—	—
<b>Net assets, December 31, 2015</b>	<b>3,036,094</b>	<b>17,931,995</b>	<b>1,488,039</b>	<b>22,456,128</b>

*See accompanying notes*

## Evangelical Lutheran Church in Canada

### STATEMENT OF CASH FLOWS

Year ended December 31

	2015	2014
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	(684,493)	635,458
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization	11,751	10,998
Realized gain on sale of land held for future development	(53,074)	(202,874)
	<u>(725,816)</u>	443,582
Changes in non-cash working capital balances related to operations		
Accounts and other receivables	(186,359)	159,568
Prepaid expenses	(3,539)	(7,838)
Accounts payable and accrued liabilities	(285,093)	148,139
Net change in deferred contributions	21,917	13,856
Net change in other liabilities	(24,415)	(20,480)
<b>Cash provided by (used in) operating activities</b>	<u>(1,203,305)</u>	<u>736,827</u>
<b>INVESTING ACTIVITIES</b>		
Mortgage principal payments received	1,536,446	345,843
Purchase of capital assets	(9,783)	(4,570)
Additions to land held for future development	(1,475)	(2,183)
Proceeds received related to future sale of land held for future development	—	10,000
Proceeds on sale of land held for future development	102,961	547,266
Increase in funds held for Continuing Education Plan	(34,853)	(53,840)
Net increase (decrease) in investments	119,464	(1,872,066)
<b>Cash provided by (used in) investing activities</b>	<u>1,712,760</u>	<u>(1,029,550)</u>
<b>FINANCING ACTIVITIES</b>		
Endowment contributions	44,311	13,416
Decrease in certificates payable	(568,503)	(138,758)
Net contributions to Continuing Education Plan	34,853	53,840
<b>Cash used in financing activities</b>	<u>(489,339)</u>	<u>(71,502)</u>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>20,116</b>	<b>(364,225)</b>
Cash and cash equivalents, beginning of year	436,817	801,042
<b>Cash and cash equivalents, end of year</b>	<u><b>456,933</b></u>	<u><b>436,817</b></u>

See accompanying notes

# Evangelical Lutheran Church in Canada

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### 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. 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 in accordance with Part III of the CPA Canada Handbook – *Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described 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. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as long-term investments.

#### Revenue recognition

ELCIC follows the deferral method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

- Unrestricted contributions are recognized as revenue when initially recorded in the accounts.
- Externally restricted contributions, except endowment contributions, are initially recorded in the accounts as deferred contributions and are recognized as revenue in the year in which the related expenses are recognized.
- Externally restricted endowment contributions are recognized as direct increases to net assets when recorded in the accounts.



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- Investment income, which consists of interest, dividends, and realized and unrealized gains or losses, is recorded in the statement of operations, except to the extent that it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred and are recorded in deferred contributions until that time except for investment income earned on externally restricted endowments, for which only the amount made available for spending is recorded as revenue. In years where the investment income earned on endowments is in excess of the amount made available for spending, the excess is recorded as a direct increase of endowments. In years where the investment income earned on endowments is below the amount made available for spending, the shortfall is recorded as a direct decrease of endowments.
- 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 rate method. Rebates payable on mortgages receivable and to the Synods as defined in note 5 are accrued in the period that the related interest is earned if the amounts are known.

### **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:

#### **Tangible**

Furniture	10 years
Equipment	5 years

#### **Intangible**

Computer database	10 years
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### **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.

## **Evangelical Lutheran Church in Canada**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Pension plans**

Contributions to the multi-employer defined contribution pension plan are recorded on an accrual basis.

#### **Certificates payable**

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

#### **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 future development is recorded at the lower of cost and net realizable value.

#### **Financial instruments**

The value of investments recorded in the financial statements is determined as follows:

- Fixed income bonds and short-term notes are recorded at fair value, which is determined based on valuation techniques.
- Deposit accounts and guaranteed investment certificates are initially recorded at fair value and subsequently measured at amortized cost.
- Equities traded in active markets are recorded at fair value based on quoted market prices.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at cost, net of any provisions for impairment.

#### **Allocation of expenses**

ELCIC reports its expenses under various programs as detailed in the statement of operations. The costs of each program include expenses that are directly related to the program.

ELCIC also incurs general support expenses that are common to the administration of the organization and each of its programs. These costs, related to rent, telephone, insurance and office supplies, are all recorded in the Support to Ministries program expense, with audit and legal fees

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### NOTES TO FINANCIAL STATEMENTS

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recorded in Governance under National Ministries, and not allocated to other programs. Costs related to IT functions are all recorded under National Ministries and are also not allocated. The only other item related to general support expenses are salaries which are allocated between salaries and benefits and various program expense categories. Salaries are allocated to the programs proportionately based on personnel hours as outlined in note 15[b].

#### 3. CREDIT FACILITY

ELCIC has a revolving line of credit in the amount of \$350,000 available through an overdraft facility on the current bank account. A general security agreement exists for the line of credit and it bears interest at the bank's prime rate. As at December 31, 2015 and 2014, there was no balance outstanding on the credit facility.

#### 4. INVESTMENTS

Investments held for long-term investment purposes include fixed income bonds, equities, and short-term notes with TD Waterhouse Private Investment Council, guaranteed investment certificates with TD Canada Trust and guaranteed investment certificates and interest-bearing deposit accounts with Steinbach Credit Union. The investments consist of the following:

	<b>2015</b>	<b>2014</b>
	\$	\$
Short-term notes	<b>188,691</b>	238,303
Deposit accounts	<b>3,351,875</b>	3,983,659
Equities	<b>3,705,554</b>	3,690,834
Fixed income bonds	<b>9,822,610</b>	9,880,398
Guaranteed investment certificates	<b>3,546,163</b>	2,941,163
	<b>20,614,893</b>	20,734,357

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Investment income consists of the following:

	2015	2014
	\$	\$
Interest income	500,953	448,878
Dividend income	89,964	91,222
Interest on mortgages receivable	172,157	217,362
Realized and unrealized gains (losses)	(486,385)	431,659
	<u>276,689</u>	<u>1,189,121</u>
Less		
Income on investments held for endowment net assets not available for spending	(4,729)	(4,813)
Recorded within directed income for specified programs	(55,394)	(41,039)
	<u>216,566</u>	<u>1,143,269</u>

#### 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 five-year term, issued at interest rates ranging from 2% to 6% with repayment terms amortized on average over 25 years. Provisions are made for doubtful accounts, according to the policy of each program.

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. For 2015, mortgage interest rebates were \$77,627 [2014 – \$98,699] and recorded as part of Synodical Ministries' expense.

The CECF investments earn investment income on balances that are invested according to the investment policy of ELCIC. The CECF Advisory Board allocates approximately 90% of the investment income on CECF funds to the Synods. These funds are restricted for "Canadian Mission" initiatives at the Synodical level. The formula for allocation is based on 50% split equally among the Synods and 50% allocated on the baptized membership of the Synods using the most recent statistical year-end report. The current year rebate under the policy was \$31,243. In addition, by special resolution the CECF Advisory Board approved an additional rebate of

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### NOTES TO FINANCIAL STATEMENTS

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\$120,000. As a result, for 2015, interest rebates to the Synods were \$151,243 [2014 – \$529,885] and recorded as part of Synodical Ministries' expense.

#### 6. CAPITAL ASSETS

	2015		
	Cost \$	Accumulated amortization \$	Net book value \$
<b>Tangible</b>			
Furniture	37,923	23,443	14,480
Equipment	53,609	35,195	18,414
	91,532	58,638	32,894
<b>Intangible</b>			
Computer database	441,146	441,146	—
	532,678	499,784	32,894
	2014		
	Cost \$	Accumulated amortization \$	Net book value \$
<b>Tangible</b>			
Furniture	37,537	21,272	16,265
Equipment	49,469	30,872	18,597
	87,006	52,144	34,862
<b>Intangible</b>			
Computer database	441,146	441,146	—
	528,152	493,290	34,862

Costs of \$96,326 related to tenant improvements incurred in the 2013 fiscal year were covered by the landlord's tenant improvement allowance.

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#### 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 1.0% to 2.5% in accordance with LIFE policy or accrue interest on the original deposit balance.

	<b>2015</b>	<b>2014</b>
	\$	\$
Total certificates payable	<b>880,711</b>	1,449,214
Less current portion	<b>599,509</b>	752,796
	<b>281,202</b>	696,418

Estimated future principal repayments are as follows:

	\$
2016	599,509
2017	55,702
2018	225,500
	<b>880,711</b>

In March 2013, National Church Council approved the wind-down of the LIFE mortgages and certificates program over a five-year period from 2013 to 2018.

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#### 8. DEFERRED CONTRIBUTIONS

Deferred contributions relate to externally restricted funding received or generated in the current or prior periods to fund expenses in future periods. Amounts for the Canada Lutheran are subscription fees related to 2016 issues of the magazine. The total amounts are as follows:

	Global Ministries	National Ministries	Synodical Ministries	Canada Lutheran	ELCIC Women of Faith Fund	Total
	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2014</b>	161,214	318,049	125,643	67,228	245,934	918,068
Amounts received during the year	26,334	290,640	1,511	66,100	8,455	393,040
Amounts recognized as revenue during the year	1,582	251,285	10,026	67,228	41,002	371,123
<b>Balance, December 31, 2015</b>	<b>185,966</b>	<b>357,404</b>	<b>117,128</b>	<b>66,100</b>	<b>213,387</b>	<b>939,985</b>

#### 9. CONTINUING EDUCATION PLAN

ELCIC established the Continuing Education Plan [“CEP”] for employees working with congregations and agencies affiliated with ELCIC. Contributions are received from the employers at a rate of 2/3 contributed by the employer and 1/3 contributed by the 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.

The CEP funds are financially administered and managed by ELCIC Group Services Inc. [“GSI”].

	2015 \$	2014 \$
<b>Balance, beginning of year</b>	<b>866,002</b>	812,162
Contributions received	<b>248,367</b>	246,926
Withdrawals	<b>(213,514)</b>	(193,086)
<b>Balance, end of year</b>	<b>900,855</b>	866,002

On retirement or termination of employment, any remaining employee contribution [1/3 portion] is refunded. Any remaining employer contribution [2/3 portion] is transferred from the CEP Short Term Study Program to the CEP Long Term Study Program.

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#### 10. PENSION PLAN

ELCIC and its employees make contributions to the Pension Plan for Clergy and Lay Workers of the Evangelical Lutheran Church in Canada [the "Pension Plan"], a multi-employer defined contribution pension plan administered by GSI. Pension contributions by ELCIC for the year were \$43,063 [2014 – \$41,140].

#### 11. ENDOWMENTS

Endowments represent resources that are required by the donor or National Church Council to be maintained by ELCIC on a permanent basis.

Endowment net assets consist of the following:

	2015 \$	2014 \$
LIFE		
Externally restricted endowments held, restricted income	380,219	383,769
Funds restricted for endowment purposes by the National Church Council, unrestricted income	2,655,875	2,340,339
	<u>3,036,094</u>	<u>2,724,108</u>

Endowments held under the LIFE program earned interest in 2015 at 2% in accordance with LIFE policy. Endowment income for the year consists of \$60,123 [2014 – \$45,852] and was allocated as follows:

	2015 \$	2014 \$
To be retained in endowments	4,729	4,813
To be paid out to Lutheran organizations	540	540
Recorded to deferred contributions	1,511	1,611
Recorded within directed income for specified programs <i>[note 14]</i>	53,343	38,888
	<u>60,123</u>	<u>45,852</u>

By National Church Council approved resolution, ELCIC transferred \$250,000 of previously restricted reserves to the ELCIC general endowment program.



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By National Church Council approved resolution, 25% of undesignated bequests are allocated to the ELCIC general endowment program. In 2015, the amount of undesignated bequests allocated to the ELCIC general endowment program was \$17,675 [2014 – \$14,950]. The income earned on these ELCIC endowment amounts is unrestricted.

#### 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.

	2015	2014
	\$	\$
Operations		
Net assets to support specific programs	<b>666,308</b>	666,099
Net assets to support operations	<b>325,000</b>	325,000
	<b>991,308</b>	991,099
CECF		
Land held for future development	<b>782,260</b>	830,672
Net assets to support church extension national initiatives	<b>549,211</b>	1,097,875
Net assets to support mortgage financing and land acquisition	<b>13,840,710</b>	13,847,337
	<b>15,172,181</b>	15,775,884
LIFE		
Net assets to support annuities	<b>23,538</b>	29,550
Net assets to support mortgage financing	<b>786,214</b>	1,107,516
Net assets to support special projects	<b>355,944</b>	327,973
Net assets to support national grants	<b>596,210</b>	651,313
Net assets to support Global Mission	<b>6,600</b>	9,900
	<b>1,768,506</b>	2,126,252
	<b>17,931,995</b>	18,893,235

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

	2015 \$	2014 \$
Operations		
Canada Lutheran	(8,410)	(13,480)
Convention	16,046	(13,778)
Affiliated conferences and events	(29,089)	101,584
Other program support	(5,336)	(7,366)
	<u>(26,789)</u>	66,960
CECF		
Net operations	(656,777)	12,133
Realized gain on sale of land held for future development	53,074	202,874
	<u>(603,703)</u>	215,007
LIFE		
Net operations	(90,073)	153,080
<b>Internally restricted excess (deficiency) of revenue over expenses for the year</b>	<b><u>(720,565)</u></b>	435,047

During the year, \$27,000 of unrestricted net assets were internally restricted as part of the 2015 budget approved by resolution of National Church Council to support operations specific programs.

### 13. SYNODS

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

	2015 \$	2014 \$
Eastern Synod	383,300	356,000
Saskatchewan Synod	139,602	152,614
Synod of Alberta and the Territories	142,400	142,000
Manitoba/Northwestern Ontario Synod	125,253	127,210
British Columbia Synod	58,650	56,525
	<u>849,205</u>	834,349

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### NOTES TO FINANCIAL STATEMENTS

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#### 14. DIRECTED INCOME

During the year, ELCIC recognized directed income as follows:

	2015 \$	2014 \$
Operations		
Global Ministries		
Global Missions	87,493	45,891
National Ministries		
Colleges and church schools	2,572	2,672
Worship	8,914	8,241
Compassionate Justice	241,764	214,919
Special projects	9,354	6,086
Communications	168	4,469
Information technology	4,420	5,295
Reformation Challenge	122,902	—
Synodical Ministries		
Youth	8,081	1,503
Stewardship	2,930	3,486
Leadership	14,830	14,875
Partnerships		
Ecumenical Relations	200	—
	<b>503,628</b>	307,437
CECF		
Synod consultant fees	—	3,750
National initiatives	5,202	9,784
LIFE		
Bequests	70,699	59,799
ELCIC Women of Faith Fund	41,022	33,015
	<b>620,551</b>	413,785

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#### 15. EXPENSES

[a] Program and administration expenses for 2015 are categorized as follows:

- Global Ministries include Global Mission program costs, Partner Churches, and the Companion Synod Program.
- National Ministries include the National Church Council, audit and legal fees, Conference of Bishops, special projects for the Faith, Order and Doctrine and the Global Mission Task Force, Reformation Challenge, bursary support to colleges and church schools, worship, compassionate justice, communications, information technology, and travel.
- Synodical Ministries include Canadian mission, leadership, stewardship, and youth.
- Support to Ministries includes office and administration expenses including rent, telephones, and insurance.
- Partnerships include Lutheran as well as ecumenical relationships. Lutheran relationships include the Lutheran World Federation and the Lutheran Council in Canada. Ecumenical relationships include the Joint Anglican/Lutheran Commission as well as relations with other denominations.
- Canada Lutheran includes expenses and staff costs for producing the magazine of ELCIC. The Canada Lutheran is self-funded through subscriptions and advertising revenue.
- Convention includes expenses for the biennial national convention. The convention is self-funded through registration fees and sponsorships.
- Affiliated conferences and events include the Canadian Lutheran Anglican Youth Gathering, the National Worship Conference, the Diaconal Formation Event, the National Youth Project and the Cora Martinson Memorial Fund. These conferences and events are self-funded by registration fees and other conference and event revenue.

[b] Total cost for staff salaries and benefits for the national office employees included in the various program expense categories for the year was \$770,303 [2014 – \$760,109]. In 2015, \$612,207 [2014 – \$610,629] of salaries and benefits are recorded as salaries and benefits with the balance of \$156,550 [2014 – \$149,480] allocated to Canada Lutheran, \$907 [2014 – nil] to Convention and \$639 allocated to Worship [2014 – nil].

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

#### 16. 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. ELCIC holds title to this land and is a guarantor of certain mortgage loans that have been granted to LutherCare Communities. ELCIC's exposure, by way of loan principal balance owing as of March 31, was as follows:

	2015	2014
	\$	\$
CMHC Ref #15410136 – 10.369% due 10/01/2028	2,718,858	2,807,169
CMHC Ref #19410089 – 4.42% due 02/01/2017	1,477,696	1,656,629

The terms of the guarantees on the mortgage loan extend 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.

##### [b] Operating lease

On January 31, 2013, ELCIC entered into a 10-year lease in partnership with Canadian Lutheran World Relief at a new location, effective May 1, 2013. Total commitments over the remaining term of the lease are estimated to be \$525,180, inclusive of annual operation costs. The future estimated annual minimum payments for the next five years under this operating lease are as follows:

	\$
2016	66,889
2017	68,013
2018	69,766
2019	71,834
2020	73,062

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The estimated annual lease payments are based on \$10.00 per square foot for the first five years of the lease, increasing to \$10.50 per square foot after 2017, plus the tenant's proportionate share of annual operating costs, which are subject to fluctuation, estimated at \$12.73 per square foot in 2016.

#### 17. 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* (Canada). 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, 2015 and 2014 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.

	2015	2014
	\$	\$
<b>Financial position</b>		
Total assets	2,283,557	2,246,017
Total liabilities	437,678	498,584
<b>Total net assets</b>	<b>1,845,879</b>	<b>1,747,433</b>
<b>Results of operations</b>		
Total revenue	983,944	1,036,253
Total expenses	885,498	772,467
<b>Excess of revenue over expenses for the year</b>	<b>98,446</b>	<b>263,786</b>
<b>Cash flows</b>		
Cash provided by operating activities	291,333	167,691
Cash used in investing and financing activities	(21,619)	(35,105)
<b>Net increase in cash</b>	<b>269,714</b>	<b>132,586</b>
Cash, beginning of year	812,197	679,611
<b>Cash, end of year</b>	<b>1,081,911</b>	<b>812,197</b>

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Included in total assets above is \$790,377 [2014 – \$818,767] of restricted cash expected to be required to satisfy the remaining obligation on employment benefit commitments and other internally restricted reserves.

GSI is the Administrator of the ELCIC Pension Plan which is a defined contribution plan registered with Canada Revenue Agency and with the Financial Services Commission of Ontario, registration number 0533240.

#### **18. FINANCIAL INSTRUMENTS**

ELCIC is exposed to various financial risks through transactions in financial instruments.

##### **Currency risk**

ELCIC is exposed to currency risk with respect to its investments denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

##### **Credit risk**

ELCIC is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

##### **Interest rate risk**

ELCIC is exposed to interest rate risk with respect to its investments in fixed income investments because the fair value will fluctuate due to changes in market interest rates.

##### **Other price risk**

ELCIC is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities.

