



Evangelical Lutheran Church in Canada

Financial statements
December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Members of Evangelical Lutheran Church in Canada

Opinion

We have audited the financial statements of Evangelical Lutheran Church in Canada (the Company), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2018 were audited by another firm of chartered Professional Accountants, who issued an unmodified opinion with an audit report date of May 8, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

(continues)

Independent Auditors' Report to the Members of Evangelical Lutheran Church in Canada *(continued)*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
July 7, 2020

Evangelical Lutheran Church in Canada

Statement of financial position

As at December 31

	2019	2018
	\$	\$
Assets		
Current		
Cash and cash equivalents <i>[note 3]</i>	362,423	363,341
Accounts and other receivables	160,399	189,636
Current portion of mortgages receivable <i>[note 6]</i>	766,266	93,060
Prepaid expenses	27,585	7,280
Total current assets	1,316,673	653,317
Investments <i>[note 4]</i>	21,636,611	20,524,275
Land held for future development <i>[note 5]</i>	300,000	784,050
Mortgages receivable <i>[note 6]</i>	—	758,360
Capital assets, net <i>[note 7]</i>	24,531	32,789
Funds held for Continuing Education Plan <i>[note 10]</i>	1,097,216	1,062,874
	24,375,031	23,815,665
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	938,520	379,122
Current portion of certificates payable <i>[note 8]</i>	4,841	4,841
Total current liabilities	943,361	383,963
Deferred contributions <i>[note 9]</i>	584,714	626,289
Continuing Education Plan <i>[note 10]</i>	1,097,216	1,062,874
Other liabilities	69,059	110,749
Total liabilities	2,694,350	2,183,875
Contingencies and commitments <i>[note 18]</i>		
Net assets		
Endowments <i>[note 12]</i>	3,811,263	3,799,614
Internally restricted <i>[note 13]</i>	16,068,115	16,418,997
Unrestricted	1,801,303	1,413,179
Total net assets	21,680,681	21,631,790
	24,375,031	23,815,665

See accompanying notes

On behalf of the National Church Council:

Director

Evangelical Lutheran Church in Canada

Statement of operations

Year ended December 31

	2019	2018
	\$	\$
Revenue		
Synods <i>[note 14]</i>	817,673	802,487
Directed income <i>[note 15]</i>	411,773	563,531
ELCIC Praise Appeal	21,056	25,387
Canada Lutheran <i>[note 16]</i>	210,245	236,605
Convention	186,651	—
Affiliated conferences and events	5,339	547,245
Investment income <i>[note 4]</i>	1,740,718	—
Donations – undesignated	29,061	46,090
	3,422,516	2,221,345
Expenses <i>[note 17]</i>		
Global Ministries	58,272	83,474
National Ministries	336,671	545,812
Synodical Ministries	1,157,555	609,570
Support to Ministries	105,424	98,846
Partnerships	90,421	104,683
Canada Lutheran	236,034	206,360
Convention	209,310	364
Salaries and benefits <i>[note 17[b]]</i>	662,284	677,299
Affiliated conferences and events	57,209	482,250
Investment loss <i>[note 4]</i>	—	65,748
Interest expense		
Short-term	(29,184)	6,994
Long-term	—	2,217
Impairment of Land <i>[note 5]</i>	484,050	—
Amortization	10,046	10,597
	3,378,092	2,894,214
Excess (deficiency) of revenue over expenses for the year	44,424	(672,869)

See accompanying notes

Evangelical Lutheran Church in Canada

Statement of changes in net assets

	Endowments	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$
Net assets, December 31, 2018	3,799,614	16,418,997	1,413,179	21,631,790
Excess of revenue over expenses for the year			44,424	44,424
Net change in internally restricted <i>[note 13]</i>		(354,950)	354,950	—
Endowment contributions/disbursements , including restricted investment returns <i>[note 12]</i>	14,595			14,595
Withdrawals	(10,128)			
Transfer of unrestricted reserves to internally restricted reserves <i>[note 13]</i>		11,250	(11,250)	—
Transfer of undesignated bequests to internal endowments as per National Church Council approved policy <i>[note 12]</i>	7,182	(7,182)		—
Net assets, December 31, 2019	3,811,263	16,068,115	1,801,303	21,690,809

See accompanying notes

Evangelical Lutheran Church in Canada

Statement of cash flows

Year ended December 31

	2019	2018
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	44,424	(672,869)
Add charges for non-cash items		
Land impairment	484,050	—
Amortization	10,046	10,597
	<u>538,520</u>	<u>(662,272)</u>
Changes in non-cash working capital balances related to operations		
Accounts and other receivables	29,237	93,428
Prepaid expenses	(20,305)	23,187
Accounts payable and accrued liabilities	559,398	(128,809)
Net change in deferred contributions	(41,575)	(122,080)
Net change in other liabilities	(41,690)	21,139
Cash provided by (used in) operating activities	<u>1,023,585</u>	<u>(775,407)</u>
Investing activities		
Mortgage principal payments received	85,154	227,734
Purchase of capital assets	(1,788)	(2,850)
Increase in funds held for Continuing Education Plan	(34,342)	(42,539)
Net increase in investments	(1,112,336)	854,861
Cash provided by (used in) investing activities	<u>(1,063,312)</u>	<u>1,037,206</u>
Financing activities		
Endowment contributions	4,467	(6,739)
Decrease in certificates payable	—	(230,259)
Net contributions to Continuing Education Plan	34,342	42,539
Cash used in financing activities	<u>38,809</u>	<u>(194,459)</u>
Net decrease in cash during the year	(918)	67,340
Cash and cash equivalents, beginning of year	<u>363,341</u>	<u>296,001</u>
Cash and cash equivalents, end of year	<u>362,423</u>	<u>363,341</u>

See accompanying notes

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

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.

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.

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 accounted for based on the restrictions imposed on the funds. Restricted investment income that is available for spending is initially recorded in deferred contributions and is recognized as revenue in the year in which the related expenses are incurred. Investment income earned on externally restricted endowments, in excess of the amount made available for spending, is recorded as a direct increase of endowments or is a part of deferred contributions in the program the endowment supports.

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.

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

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 their 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 and other receivables and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at cost, net of any provisions for impairment.

Land held for future development

Land is held for future development of church property sites through the Church Extension Capital Fund Program [the "CECF"]. Land held for future development is recorded at the lower of cost and net realizable value.

Mortgages receivable and rebates

Mortgages receivable are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method, less any reduction for impairment. 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. Amortization is calculated on a straight-line basis over their estimated useful lives of the capital assets, less any residual values, 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

December 31, 2019

Pension plan

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.

Allocation of expenses

ELCIC expenses directly related to programs are allocated to each program within the statement of operations. General support costs, except some salaries [note 17[b]], are not allocated and are included within the Support to Ministries, Governance and National Ministries programs based on the nature of the expenses.

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 which bears interest at the bank's prime rate. As at December 31, 2019 and 2018, there was no balance outstanding on the credit facility.

4. Investments

Investments are shown at carrying values, which are estimated to be equal to the fair market value. Investments consist of the following:

	2019	2018
	\$	\$
Short-term notes	491,617	874,822
Deposit accounts	4,039,148	1,654,779
Equities	6,897,508	6,067,031
Fixed income bonds and preferred shares	7,429,527	7,043,803
Guaranteed investment certificates	2,722,814	4,883,840
Other investments	55,997	-
	<u>21,636,611</u>	<u>20,524,275</u>

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

Investment income consists of the following:

	2019	2018
	\$	\$
Interest income	456,928	530,361
Dividend income	197,883	99,523
Realized gains (losses)	112,634	137,353
Unrealized gains (losses)	1,173,966	(709,932)
Endowments		
Less: income on investments held for endowment	(107,513)	(35,789)
	1,833,898	21,517
Less: investment fees	(93,180)	(87,264)
	<u>1,740,718</u>	<u>(65,748)</u>

5. Land held for future development

In 2007, ELCIC purchased 44 acres of land, of which, 16 acres was paid for by Glory Lutheran Church Sherwood Park (the "Congregation") in 2009. ELCIC entered into an agreement with the Congregation regarding the subdivision of the land which stipulated that if the subdivision did not occur prior to the 10 year anniversary of the agreement, dated May, 2010, the Congregation would purchase the land owned by ELCIC at the fair market value. As at December 31, 2019, the subdivision of the land had not occurred. The congregation made an offer to purchase the land in August 2019, which was accepted in March 2020. The land's value has been adjusted to reflect the sale value of \$300,000 and a loss of \$484,050 is shown on the Statement of Operations.

6. 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.

[a] Mortgages receivable

	Current portion	Long-term portion	Total mortgages receivable
	\$	\$	\$
CECF			
Mortgage at 4.5% maturing December 31, 2020	766,266		766,266

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

[b] Rebates and investments

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 2019, mortgage interest rebates were \$10,531 [2018 – \$16,756] 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 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. In 2016, the CECF Advisory Board set up an internally restricted net asset fund for the purpose of giving the Synods investment rebate stability. This policy sets a minimum and maximum amount to be paid to the Synods annually until the internally restricted net asset fund reaches a balance of \$500,000. As a result, for 2019 the interest rebates paid to the Synods were \$770,350 [2018 – \$200,000] and \$317,372 was added to the fund. The Synod rebate stability fund balance at the end of 2019 was \$500,000 [2018 – \$182,628] *[note 13]*.

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

7. Capital assets

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Furniture	53,251	33,622	19,629
Equipment	71,465	66,563	4,902
	124,716	100,185	24,531
Intangible			
Computer database	441,145	441,145	—
	565,861	541,330	24,531
	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Furniture	53,521	29,317	23,934
Equipment	69,676	60,821	8,855
	122,927	90,138	32,789
Intangible			
Computer database	441,145	441,145	—
	564,072	531,283	32,789

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

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

8. 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 6. 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.

	2019	2018
	\$	\$
Total certificates payable	<u>4,841</u>	<u>4,841</u>

9. 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 2020 issues of the magazine. The total amounts are as follows:

	Global Ministries	National Ministries	Synodical Ministries	Canada Lutheran	ELCIC Women of Faith Fund	Total
	\$	\$	\$	\$	\$	\$
Balance,						
December 31, 2018	161,341	186,601	111,816	61,235	105,295	626,289
Amounts received during the year	27,581	14,902	5,561	52,019	2,893	100,956
Amounts recognized as revenue during the year	—	34,077	3,000	61,235	46,218	144,530
Balance,						
December 31, 2019	<u>188,922</u>	<u>167,426</u>	<u>114,377</u>	<u>52,019</u>	<u>61,970</u>	<u>584,714</u>

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

10. 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"].

	2019	2018
	\$	\$
Balance, beginning of year	1,062,874	1,020,335
Contributions received	269,257	309,645
Withdrawals	(234,915)	(267,106)
Balance, end of year	1,097,216	1,062,874

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 Member Accounts to the CEP Advance Study Fund.

	2019	2018
	\$	\$
Short-Term Study Fund	924,371	898,491
Advace Study Fund	172,845	164,383
	1,097,216	1,062,874

11. 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 to the Pension Plan for the year were \$48,238 [2018 – \$44,617].

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

12. Endowments

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

Endowment net assets consist of the following:

	2019	2018
	\$	\$
LIFE		
Externally restricted endowments held, restricted income	366,059	361,926
Funds restricted for endowment purposes by the National Church Council, unrestricted income	3,445,204	3,437,688
	3,811,263	3,799,614

Endowment income for the year consists of \$278,077 [2018 – \$88,127] and was allocated as follows:

	2019	2018
	\$	\$
To be retained in endowments	14,595	5,173
To be paid out to Lutheran organizations [a part of accounts payable]	1,914	608
Recorded to deferred contributions	5,561	1,768
Recorded within directed income for specified programs [note 15]	256,007	80,578
	278,077	88,127

The National Church Council approved the transfer of \$250,000 of previously restricted Life mortgages and certificate net assets to the ELCIC general endowment program.

By National Church Council approved resolution, 25% of undesignated bequests in the internally restricted fund are allocated to the ELCIC general endowment program. In 2018, the amount of undesignated bequests allocated to the ELCIC general endowment program was \$7,182 [2018 – \$21,616]. The income earned on these ELCIC endowment amounts is unrestricted.

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

13. Internally restricted net assets

[a] Internally restricted net assets consist of the following:

	2019	2018
	\$	\$
Operations		
Net assets to support specific programs	674,191	719,922
Net assets to support operations	325,000	325,000
	<u>999,191</u>	<u>1,044,922</u>
CECF		
Land held for future development	300,000	784,050
Net assets to support mortgage financing and land acquisition	13,424,538	13,583,123
Synod rebate stability	500,000	182,628
	<u>14,224,538</u>	<u>14,549,801</u>
LIFE		
Net assets to support annuities	3,211	6,303
Net assets to support LIFE mortgages and certificates	—	—
Net assets to support special projects	299,450	287,421
Net assets to support national grants	541,725	530,550
	<u>844,386</u>	<u>824,274</u>
	<u>16,068,115</u>	<u>16,418,997</u>

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

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

	2019	2018
	\$	\$
Operations		
Canada Lutheran	(11,335)	30,245
Convention	(2,659)	(365)
Affiliated conferences and events	(51,869)	61,323
Other program support	8,880	88
	<u>(56,983)</u>	91,291
CECF		
Net operations <i>[note 6[b]]</i>	(75,263)	(290,822)
Synod Mission Initiative Funding <i>[note 17[c]]</i>	(250,000)	(250,000)
	<u>(325,263)</u>	(540,882)
LIFE		
Net operations	27,296	(122,018)
Internally restricted excess (deficiency) of revenue over expenses for the year	<u>(354,950)</u>	<u>(571,609)</u>

[c] During the year, \$11,250 of unrestricted net assets were internally restricted as part of the 2019 budget approved by resolution of National Church Council to support operating specific programs.

14. Synods

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

	2019	2018
	\$	\$
Eastern Synod	398,700	394,800
Saskatchewan Synod	99,933	88,647
Synod of Alberta and the Territories	140,400	140,400
Manitoba/Northwestern Ontario Synod	119,990	119,990
British Columbia Synod	58,650	58,650
	<u>817,673</u>	<u>802,487</u>

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

15. Directed income

During the year, ELCIC recognized directed income as follows:

	2019	2018
	\$	\$
Operations		
Global Ministries		
Global Missions	56,259	83,474
National Ministries		
Colleges and church schools	5,151	2,660
Worship	41,825	42,333
Compassionate justice	151,416	186,564
Special projects	5,675	10,084
Communications	—	39
Information technology	115	—
Reformation Challenge	2,629	81,996
Synodical Ministries		
Youth	938	2,898
Stewardship	650	1,530
Leadership	68,985	17,320
Partnerships		
Ecumenical relationships	—	400
	<u>334,643</u>	<u>429,298</u>
CECF		
National initiatives	3,458	3,740
LIFE		
Bequests	27,230	83,371
ELCIC Women of Faith Fund	47,442	46,349
Other Gifts	—	773
	<u>411,773</u>	<u>563,531</u>

16. Canada Lutheran

The Canada Lutheran magazine received a grant from the Canada Periodical Fund, Aid to Publishers Component for \$69,850 [2018 – \$70,980]. This grant is applied for and granted annually by the Government of Canada.

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

17. Expenses

[a] Program and administration expenses for 2019 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, advertising revenue and federal grants.
- 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] Program salary expenses are as follows:

	2019	2018
	\$	\$
Salaries and benefits	662,284	677,299
Canada Lutheran	160,154	131,297
Convention	2,200	—
Other – worship	196	913
	824,834	809,509

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

- [c] Synod Mission Initiative Funding is provided to each synod for support in Canadian mission initiatives to participate in God's mission in our changing context. Funds will be used for activities that are experimental in spirit and genuinely seek to explore what it means to participate in God's mission in the world today. A total of \$250,000 was paid to the synods in 2019 [2018 – \$250,000].

18. Contingencies and commitments

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 \$246,343 [2018 – \$317,638], inclusive of annual operating costs. The future estimated annual minimum payments for the next five years under this operating lease are as follows:

	\$
2020	72,413
2021	73,659
2022	74,941
2023	25,421

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, set at \$13.7 per square foot in 2019 [2018 – \$13.3].

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

19. 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, 2019 and 2018 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.

	2019	2018
	\$	\$
Financial position		
Total assets	2,019,469	2,390,628
Total liabilities	388,089	728,243
Total net assets	1,631,380	1,622,385
Results of operations		
Total revenue	1,040,863	847,057
Total expenses	1,071,868	981,911
Excess (deficiency) of revenue over expenses for the year	(31,005)	(134,854)
Cash flows		
Cash provided by (used in) operating activities	(390,140)	(162,359)
Cash provided by investing and financing activities	(98,850)	221,115
Net increase in cash	(488,990)	58,756
Cash, beginning of year	749,197	690,441
Cash, end of year	260,207	749,197

Included in total assets above is \$1,259,850 [2018 – \$1,161,000] of restricted cash expected to fund benefits offered by GSI to subscribing employers and/or plan members.

GSI is the Administrator of the ELCIC Pension Plan, which is registered with the Canada Revenue Agency and with the Financial Services Commission of Ontario, Registration Number 0533240.

Evangelical Lutheran Church in Canada

Notes to financial statements

December 31, 2019

20. 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 underlying holdings in 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 investments against the Canadian dollar.

Credit risk

ELCIC is exposed to credit risk in connection with its accounts and other receivables, mortgages 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 fixed income investments, certificates payable, and mortgages receivable 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.

21. Subsequent Events

Reactions and restrictions to Coronavirus (COVID-19) continue to evolve and change regularly. Management of the church continues to maintain operations where possible, while looking out for the needs and safety of their members and employees. Given the uncertainties caused by Covid-19, management cannot predict the effect this will have on their future operations or cash flows.

22. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.