

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Financial Statements**

**Year Ended December 31, 2022**

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

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**Year Ended December 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Evangelical Lutheran Church in Canada

### *Opinion*

We have audited the financial statements of Evangelical Lutheran Church in Canada (the Church), which comprise the statement of financial position as at December 31, 2022, 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 Church as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *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 Church in accordance with 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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 ASNPO, 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 Church's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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.

(continues)

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

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 Church'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 Church'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 Church 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  
May 23, 2023

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Statement of Financial Position**

**December 31, 2022**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 7,381,615	\$ 8,156,840
Investments (Note 5)	599,389	252,800
Accounts receivable	125,382	321,215
Prepaid expenses	36,454	26,420
	<b>8,142,840</b>	<b>8,757,275</b>
PROPERTY AND EQUIPMENT (Note 6)	16,713	22,329
INVESTMENTS (Note 5)	14,261,086	15,992,243
FUNDS HELD FOR CONTINUING EDUCATION PLAN (Note 9)	1,344,236	1,298,216
	<b>\$ 23,764,875</b>	<b>\$ 26,070,063</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable (Note 7)	\$ 376,982	\$ 961,511
Certificates payable (Note 8)	3,440	3,440
	<b>380,422</b>	<b>964,951</b>
Deferred contributions (Note 20)	439,508	525,282
	<b>819,930</b>	<b>1,490,233</b>
CONTINUING EDUCATION PLAN (Note 9)	1,344,236	1,298,216
ANNUITIES PAYABLE	43,199	51,222
	<b>2,207,365</b>	<b>2,839,671</b>
<b>NET ASSETS</b>		
Unrestricted	2,082,843	2,303,445
Internally restricted (Note 12)	15,635,653	17,105,047
Endowments (Note 11)	3,839,014	3,821,900
	<b>21,557,510</b>	<b>23,230,392</b>
	<b>\$ 23,764,875</b>	<b>\$ 26,070,063</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Statement of Revenues and Expenditures**

**Year Ended December 31, 2022**

	2022	2021
<b>REVENUES</b>		
Synods <i>(Note 13)</i>	\$ 822,607	\$ 873,338
Directed Income <i>(Note 14)</i>	355,530	421,525
Canadian Lutheran <i>(Note 15)</i>	201,682	191,282
Donations - undesignated	82,568	63,918
Convention	7,160	-
ELCIC Praise Appeal	7,062	18,690
Affiliated conferences and events	2,541	57,595
Bequests <i>(Note 12)</i>	-	840,000
Investment income (loss) <i>(Note 5)</i>	<u>(1,158,569)</u>	<u>1,528,691</u>
	<b>320,581</b>	<b>3,995,039</b>
<b>EXPENSES <i>(Note 16)</i></b>		
Affiliated conferences and events	11,773	64,307
Amortization	7,783	7,385
Canada Lutheran	247,741	242,919
Convention	54,379	7,219
Global ministries	80,407	70,527
National ministries	313,698	266,185
Partnerships	115,513	108,170
Salaries and benefits	774,698	750,934
Support to ministries	107,257	103,626
Synodical ministries	<u>273,357</u>	<u>909,435</u>
	<b>1,986,606</b>	<b>2,530,707</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (1,666,025)</b>	<b>\$ 1,464,332</b>

See notes to financial statements

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2022**

	Unrestricted	Internally Restricted <i>(Note 12)</i>	Endowments	<b>2022</b>	2021
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 2,303,445	\$ 17,105,047	\$ 3,821,900	\$ <b>23,230,392</b>	\$ 21,762,930
Deficiency of revenues over expenses	(273,486)	(1,392,539)	-	<b>(1,666,025)</b>	1,464,332
Net endowment contributions	-	-	3,376	<b>3,376</b>	3,130
Payout of Endowments	-	-	(10,233)	<b>(10,233)</b>	-
Transfers of undesignated bequests <i>(Notes 11, 14)</i>	-	(23,971)	23,971	-	-
Transfer	52,884	(52,884)	-	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ <b>2,082,843</b>	\$ <b>15,635,653</b>	\$ <b>3,839,014</b>	\$ <b>21,557,510</b>	\$ <b>23,230,392</b>

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Statement of Cash Flows**

**Year Ended December 31, 2022**

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ (1,666,025)	\$ 1,464,332
Item not affecting cash:		
Amortization of property and equipment	7,783	7,385
	<u>(1,658,242)</u>	<u>1,471,717</u>
Changes in non-cash working capital:		
Accounts receivable	195,833	(159,615)
Accounts payable	(584,528)	418,185
Deferred contributions	(85,774)	46,897
Prepaid expenses	(10,034)	3,826
Annuities Payable	(8,023)	(8,670)
	<u>(492,526)</u>	<u>300,623</u>
Cash flow from (used by) operating activities	<u>(2,150,768)</u>	<u>1,772,340</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,168)	(10,873)
Funds held for Continuing Education Plan	(46,020)	(119,542)
Net (increase) decrease in investments	<u>1,384,568</u>	<u>5,148,094</u>
Cash flow from investing activities	<u>1,336,380</u>	<u>5,017,679</u>
<b>FINANCING ACTIVITIES</b>		
Net contributions to Continuing Education Plan	46,020	119,542
Endowment contributions	(6,857)	3,130
Cash flow from financing activities	<u>39,163</u>	<u>122,672</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(775,225)</b>	<b>6,912,691</b>
CASH - BEGINNING OF YEAR	<u>8,156,840</u>	<u>1,244,149</u>
<b>CASH - END OF YEAR</b>	<b>\$ 7,381,615</b>	<b>\$ 8,156,840</b>

See notes to financial statements



# EVANGELICAL LUTHERAN CHURCH IN CANADA

## Notes to Financial Statements

Year Ended December 31, 2022

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### 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).

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### 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

Evangelical Lutheran Church in Canada 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.

#### 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.

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# EVANGELICAL LUTHERAN CHURCH IN CANADA

## Notes to Financial Statements

Year Ended December 31, 2022

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

#### Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Equipment	10 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Computer database	10 years	straight-line method

The Church regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

#### 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 16], are not allocated and are included within the Support to Ministries, Governance and National Ministries programs based on the nature of the expenses.

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# EVANGELICAL LUTHERAN CHURCH IN CANADA

## Notes to Financial Statements

Year Ended December 31, 2022

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### 3. FINANCIAL INSTRUMENTS

The Church is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Church's risk exposure and concentration as of December 31, 2022.

#### 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.

#### 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.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Church manages exposure through its normal operating and financing activities. 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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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.

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### 4. 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, 2022 and 2021, there was no balance outstanding on the credit facility.

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**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

5. INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Short-term notes	\$ 599,389	\$ 252,800
Equities	4,698,240	7,528,112
Alternative products	843,966	795,437
Fixed income bonds and preferred shares	8,718,880	7,668,694
	<u>\$ 14,860,475</u>	<u>\$ 16,245,043</u>

Investments included in the statement of financial position are classified as follows:

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 599,389	\$ 252,800
Long-term investments	14,261,086	15,992,243
	<u>\$ 14,860,475</u>	<u>\$ 16,245,043</u>

Investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 191,333	\$ 125,765
Dividend income	412,164	441,351
Realized gains (losses)	533,445	471,361
Unrealized gains (losses)	(2,178,207)	677,094
Endowment Income	35,604	144,919
	<u>(1,005,661)</u>	1,860,490
Less: interest on endowment ( <i>Note 11</i> )	(57,327)	(232,911)
Less: investment fees	(95,581)	(98,888)
	<u>\$ (1,158,569)</u>	<u>\$ 1,528,691</u>

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	<b>2022 Net book value</b>	2021 Net book value
Computer equipment	\$ 87,367	\$ 77,606	\$ 9,761	\$ 11,131
Computer software	441,146	441,146	-	-
Furniture and fixtures	53,251	46,299	6,952	11,198
	<u>\$ 581,764</u>	<u>\$ 565,051</u>	<u>\$ 16,713</u>	<u>\$ 22,329</u>

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

Year Ended December 31, 2022

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7. ACCOUNTS PAYABLE

	<u>2022</u>	<u>2021</u>
Trade payables	\$ 99,029	\$ 107,079
Rhenish grant allocation	-	61,000
Accrued wages payable	77,953	72,686
Synod interest rebate	<u>200,000</u>	<u>720,746</u>
	<u>\$ 376,982</u>	<u>\$ 961,511</u>

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 2022 the interest rebates paid to the Synods were \$200,000 (2021 – \$720,745). The Synod rebate stability fund balance at the end of 2022 was \$300,000 (2021 – \$500,000) (Note 12).

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8. CERTIFICATES PAYABLE

Investment certificates are issued to contributors who wish to provide funds to LIFE for the purpose of granting mortgages. 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.

	<u>2022</u>	<u>2021</u>
Certificates Payable-Term - LIFE	<u>\$ 3,440</u>	<u>\$ 3,440</u>

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EVANGELICAL LUTHERAN CHURCH IN CANADA

Notes to Financial Statements

Year Ended December 31, 2022

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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”).

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,298,216	\$ 1,178,674
Contributions received	260,802	255,291
Withdrawals	<u>(214,781)</u>	<u>(135,749)</u>
Balance, end of year	<u>\$ 1,344,236</u>	<u>\$ 1,298,216</u>

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.

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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 to the Pension Plan for the year were \$48,573 (2021 – \$52,207).

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**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

**11. 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:

	<u>2022</u>	<u>2021</u>
Externally restricted endowments held, restricted income	\$ 358,932	\$ 365,870
Funds restricted for endowment purposes by the National Church Council, unrestricted income	<u>3,480,082</u>	3,456,030
	<u><b>3,839,014</b></u>	<u>3,821,900</u>

Endowment Income Allocation

To be retained in endowments	\$ 3,376	\$ 13,256
To be paid out to Lutheran organizations (a part of accounts payable)	1,589	1,589
Recorded to deferred contributions	4,615	4,615
Recorded within directed income for specified programs	<u>47,747</u>	213,451
Total Interest (Note 5)	<u>\$ 57,327</u>	<u>\$ 232,911</u>

By National Church Council approved resolution, 25% of undesignated bequests are allocated to the ELCIC general endowment program. In 2022, the amount of undesignated bequests allocated to the ELCIC general endowment program was \$23,971 (2021 – \$Nil) (Note 14). The income earned on these ELCIC endowment amounts is unrestricted.

**12. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets consist of the following:

	<u>2022</u>	<u>2021</u>
<b>GENERAL OPERATIONS</b>		
Net assets to support specific programs	\$ 467,642	\$ 608,775
Net assets to support operations	<u>325,000</u>	325,000
	<u>792,642</u>	933,775
<b>CECF</b>		
Net assets to support mortgage financing and land acquisition	13,153,287	14,033,837
Synod rebate stability	<u>300,000</u>	500,000
	<u>13,453,287</u>	14,533,837
<b>LIFE</b>		
Net assets to support annuities	3,212	3,212
Net assets to support LIFE mortgages and Certificates	-	(16,745)
Net assets to support special projects	1,209,840	1,173,921
Net assets to support national grants	<u>176,672</u>	477,047
	<u>1,389,724</u>	1,637,435
	<u>\$ 15,635,653</u>	<u>\$ 17,105,047</u>

*(continues)*

**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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12. INTERNALLY RESTRICTED NET ASSETS *(continued)*

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

GENERAL OPERATIONS

Canada Lutheran	\$ (31,211)	\$ (19,002)
Convention	(47,219)	(7,219)
Affiliated conferences and events	(10,926)	(6,544)
Other program support	1,104	(2,588)
	<u>(88,252)</u>	<u>(35,353)</u>

CECF

Net operations	(1,080,550)	290,383
	-	-
	<u>(1,080,550)</u>	<u>290,383</u>

LIFE

Net operations	(223,737)	(19,122)
Bequests	-	840,000
	<u>(223,737)</u>	<u>820,878</u>

Internally restricted excess (deficiency) of revenue over expenses  
for the year

\$ (1,392,539)      \$ 1,075,908

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**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

13. SYNODS

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

	<u>2022</u>	<u>2021</u>
Synod Benevolence-EAST	\$ 408,300	\$ 456,700
Synod Benevolence-ABT	140,400	140,400
Synod Benevolence-MNO	116,610	116,610
Synod Benevolence-SASK	82,297	82,753
Synod Benevolence-BC	75,000	76,875
	<u>\$ 822,607</u>	<u>\$ 873,338</u>

14. DIRECTED INCOME

During the year, ELCIC recognized directed income as follows:

	<u>2022</u>	<u>2021</u>
Operations		
Global Ministries		
Global Missions	\$ 71,180	\$ 70,527
National Ministries		
Colleges and church schools	2,249	4,551
Worship	9,534	17,003
Compassionate justice	146,329	142,573
Reformation challenge	3,400	24,465
Synodical Ministries		
Youth	2,991	3,778
Stewardship	340	90
Leadership	10,564	47,642
Partnerships		
Ecumenical relations	-	30,000
	<u>246,587</u>	<u>340,629</u>
CECF		
National initiatives	38	1,349
LIFE		
Bequests ( <i>Note 11</i> )	95,885	-
ELCIC Women of Faith Fund	13,020	79,547
	<u>\$ 355,530</u>	<u>\$ 421,525</u>

# EVANGELICAL LUTHERAN CHURCH IN CANADA

## Notes to Financial Statements

Year Ended December 31, 2022

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### 15. CANADA LUTHERAN

The Canada Lutheran magazine received a grant from the Canada Periodical Fund, Aid to Publishers Component for \$80,565 (2021 – \$61,962). This grant is applied for and granted annually by the Government of Canada.

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### 16. EXPENSES

Program and administration expenses for 2022 are categorized as follows:

- 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.
- 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.
- 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, Specific Appeals (i.e. ELCJHL COVID-19 appeal), bursary support to colleges and church schools, worship, compassionate justice, communications, information technology, and travel.
- 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.
- Support to Ministries includes office and administration expenses including rent, telephones, and insurance.
- Synodical Ministries include Canadian mission, leadership, stewardship, and youth.

Program salary expenses are as follows:

	<u>2022</u>	<u>2021</u>
Salaries and benefits	\$ 774,698	\$ 750,934
Canada Lutheran	<u>166,138</u>	<u>164,633</u>
	<u>\$ 940,836</u>	<u>\$ 915,567</u>

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**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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17. CONTINGENCIES AND COMMITMENTS

ELCIC entered into a 10-year lease in partnership with Canadian Lutheran World Relief at a new location, effective May 1, 2023. The future estimated annual minimum payments over the remaining period of this operating lease are as follows:

2023	\$	71,319
2024		70,470
2025		70,470
2026		72,470
2027		73,469
Thereafter		409,828
		<u>768,026</u>

The Church also has entered into an agreement with the Evangelical Lutheran Church in Jordan and the Holy Land to provide funding for tuition sponsorship at a minimum annual contribution of \$15,000. The agreement runs until December 2024.

ELCIC also has a partnership agreement with the United Evangelical Lutheran Church to provide \$35,000 of funding for the "Relocalizacion Jardin de Infantes" project in Jose C. Paz, Argentina. The project is expected to end in March 2024.

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# EVANGELICAL LUTHERAN CHURCH IN CANADA

## Notes to Financial Statements

Year Ended December 31, 2022

### 18. RELATED PARTY TRANSACTIONS AND CONTROLLED INTEREST

ELCIC is the sole member of ELCIC Group Services Inc. (GSI). Group Services Inc. 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, 2022 and 2021 and for the years then ended, which do not include the assets or obligations of the Pension Plan, are as follows:

	<u>2022</u>	<u>2021</u>
<u>ELCIC Group Services Inc.</u>		
Financial position		
Total assets	\$ 2,706,042	\$ 2,473,222
Total liabilities	<u>(510,501)</u>	<u>(267,912)</u>
Total net assets	<u>2,195,541</u>	<u>2,205,310</u>
Results of operations		
Total revenues	1,115,003	1,283,509
Total expenses	<u>(1,124,772)</u>	<u>(1,023,561)</u>
Excess (deficiency) of revenues over expenses for the year	<u>(9,769)</u>	<u>259,948</u>
Cash flows		
Cash provided by (used in) operating activities	239,414	244,040
Cash provided by (used in) investing and financing activities	<u>(52,675)</u>	<u>(256,981)</u>
Net increase (decrease) in cash	<u>186,739</u>	<u>(12,941)</u>
Cash, beginning of year	<u>544,817</u>	<u>557,758</u>
Cash, end of year	<u>731,556</u>	<u>544,817</u>

Included in total assets above is \$1,664,900 (2021 – \$1,612,225) 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.

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# EVANGELICAL LUTHERAN CHURCH IN CANADA

## Notes to Financial Statements

Year Ended December 31, 2022

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### 18. RELATED PARTY TRANSACTIONS AND CONTROLLED INTEREST *(continued)*

Canadian Lutheran World Relief (CLWR) is a non-profit organization incorporated, without share capital, in the Province of Manitoba. It is registered with Canada Revenue Agency as a charitable organization under registration number 106863038 RR0001. CLWR is the service delivery arm for overseas development programming and relief for ELCIC and Lutheran Church Canada. ELCIC has the ability to appoint the majority of the board members of CLWR.

CLWR has not been consolidated in ELCIC's financial statements. Financial summaries of this unconsolidated entity as at March 31, 2022 and 2021 and for the years then ended are as follows:

	<u>2022</u>	<u>2021</u>
<u>Canadian Lutheran World Relief</u>		
Financial position		
Total assets	\$ 14,067,479	\$ 11,611,112
Total liabilities	(7,005,035)	(5,905,513)
	<u>7,062,444</u>	<u>5,705,599</u>
Results of operations		
Total revenue	11,851,366	10,716,885
Total expenses	(10,525,862)	(9,584,139)
Other income (expenses)	31,341	114,420
Excess (deficiency) of revenues over expenses for the year	<u>1,356,845</u>	<u>1,247,166</u>
Cash Flows		
Cash provided by (used in) operating activities	2,846,459	2,231,401
Cash provided by (used in) investing and financing activities	(3,492,367)	(1,049,693)
Net increase (decrease) in cash	<u>(645,908)</u>	<u>1,181,708</u>
Cash, beginning of year	<u>4,898,273</u>	<u>3,716,565</u>
Cash, end of year	<u>4,252,365</u>	<u>4,898,273</u>

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### 19. CONTINGENCIES

The Church has been made aware of a potential claim against it in a legal matter. In the opinion of management, the outcome of the potential claim is not determinable. Should any loss result from the resolution of this matter, any potential loss will be charged to operations in the year of resolution.

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**EVANGELICAL LUTHERAN CHURCH IN CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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20. 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 and grant related to 2023 issues of the magazine.

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	Global Ministries	National Ministries	Synodical Ministries	Canada Lutheran	Total
<b>Balance, December 31, 2021</b>	\$ 54,940	\$ 296,919	\$ 119,112	\$ 54,311	\$ 525,282
Amounts received during the year	18,544	34,163	1,131	20,731	74,569
Amounts recognized as revenue during the year	(57,243)	(45,989)	(2,800)	(54,311)	(160,343)
<b>Balance, December 31, 2022</b>	<u>\$ 16,241</u>	<u>\$ 285,093</u>	<u>\$ 117,443</u>	<u>\$ 20,731</u>	<u>\$ 439,508</u>

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