



## THE EASTERN SYNOD'S 2017 FINANCIAL STORY (PRE-AUDIT)

### *The Bottom Line Summary*

In my role as Eastern Synod treasurer, although continually faced with the prospect of budget deficits and the need for all too frequent budget cuts, I am frequently reminded that as a synod we have been richly blessed with financial and other resources. Such was the case once again over the synod's most recently completed fiscal year!

<b>2017 Summary</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Total Income	\$2,373,902	\$2,515,010	-\$141,108
Total Expenditures	\$2,359,531	\$2,515,010	-\$155,479
<b>Surplus / Deficit</b>	<b>\$14,371</b>	<b>\$0</b>	<b>\$14,371</b>

Similar to 2016, both income and expenditures for the synod's operations in 2017 were less than budgeted. For 2017 the net result was a modest surplus (~\$14,000). Although this is a positive result, it is important to note that such an outcome would not have been possible without the benefit of exceptionally high returns from investments in combination with \$87,000 of budget cuts that were made at the beginning of the year.

Note: Amounts in the above table and subsequent tables in this report are reported on a cash flow basis to align with budget assumptions and do not take into account any actuarial adjustments that are made for future obligations relating to benefit premiums.

### *Income Summary*

On an overall basis, 2017 operating income was \$141,000 less than budgeted. Almost two thirds (\$93,000) of this shortfall is of minimal concern and can be disregarded as it consisted of projected grants from a number of funds held by the Evangelical Lutheran Foundation of Eastern Canada (ELFEC) that were ultimately not required/requested due to under-expenditures in several areas of the budget.

<b>INCOME</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Benevolence Offerings	\$1,435,590	\$1,472,000	-\$36,410
ELCIC Grants	\$100,355	\$120,600	-\$20,245
ELFEC Grants	\$699,085	\$792,410	-\$93,325
Rent/Services/Other	\$53,554	\$50,500	\$3,054
Assembly/Retreat Registration Fees	\$63,020	\$56,000	\$7,020
Individual Donations	\$22,298	\$23,500	-\$1,202
<b>Total</b>	<b>\$2,373,902</b>	<b>\$2,515,010</b>	<b>-\$141,108</b>

Approximately \$100,000 was received from the ELCIC national church, consisting primarily of grants from the ELCIC's Church Extension Capital Fund (CECF) (~\$80,000) and Compassionate Justice Initiative Fund (~\$20,000). The synod's Mission Committee subsequently allocated this funding to congregations and/or synodical ministries to seed a variety of creative and impactful outreach initiatives.

Of greatest concern on the income side is the continuing decline in congregational benevolence offerings, a disturbing trend that has been in place for twenty-five years now. In 2017 these remittances declined 1.5% from those of the previous year, resulting in a \$36,000 shortfall compared to budget and the lowest amount received over the synod's 32 year history.

### ***Expenditure Summary***

As indicated by the following table, the synod's operating budget funds a wide variety of ministries in Eastern Canada. In addition, through our financial gifts to the ELCIC, we also support ministries in other areas of Canada and the rest of the world. All in all, expenditures ended the year approximately \$155,000 under budget, primarily attributable to ministry programs that were budgeted, but that for different reasons, didn't progress to the extent originally anticipated.

<b>EXPENDITURES</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
ELCIC	\$390,900	\$390,900	\$0
Waterloo Lutheran Seminary	\$366,000	\$366,000	\$0
Mission Committee	\$340,101	\$396,000	-\$55,899
Youth & Young Adult Ministries	\$117,135	\$121,210	-\$4,075
Candidacy Committee	\$13,088	\$25,500	-\$12,412
Professional Leadership Committee	\$219	\$200	\$19
Stewardship & Resource Development	\$34,187	\$36,800	-\$2,613
Communication	\$22,699	\$23,200	-\$501
Ministry Director Programming	\$35,908	\$30,800	\$5,108
Office of the Bishop	\$19,364	\$32,100	-\$12,736
Salaries and Professional	\$668,664	\$726,050	-\$57,386
Office	\$129,329	\$139,050	-\$9,721
Retreats	\$46,760	\$48,000	-\$1,240
Synod Council	\$29,949	\$22,150	\$7,799
Ministry Area Programming	\$25,490	\$37,500	-\$12,010
Retiree Health Insurance Subsidy	\$61,688	\$61,500	\$188
National Convention / Synod Assembly	\$58,050	\$58,050	\$0
<b>Total Expenditures</b>	<b>\$2,359,531</b>	<b>\$2,515,010</b>	<b>-\$155,479</b>

All of these expenditures support the four primary goals that have been articulated in the synod's 2017 – 2021 Strategic Plan:

1. Provide Vision, Leadership and Support to the Synodical Community
2. Develop Capable Leaders
3. Connect the Synodical Community with the Wider Church through Effective Partnerships
4. Live as a Healthy Synod

Following are comments on the largest areas of expenditure from the table above:

ELCIC – This continues to be a significant and high priority area in our budget. As has been the case for many years now, the synod met in full its commitment to the National Church in 2017 with the \$390,900 remittance representing a \$3,800 (1%) increase over 2016.

Waterloo Lutheran Seminary – Despite a \$50,000 budget reduction that was required in 2017, the \$366,000 grant to WLS represented a significant financial commitment.

Mission Committee – The \$340,000 of expenditures in this area consisted of grants that were awarded to 27 different congregations to help fund their outreach initiatives. In addition, funds were allocated to support 11 synod-sponsored initiatives.

Youth and Young Adult Ministries: Spending in this area was allocated to support the synod's two camps, campus ministries in six locations in Ontario, Quebec and Nova Scotia and half a dozen other ministry programs targeted for youth and young adults across the synod.

Ministry Director Programming – Expenditures reported in this area include those related to Worship Ministry, Women's Ministry and Public Policy & Service Ministry.

Salaries and Professional – This area of the budget provides compensation and benefits for twenty people (five full-time staff and four part-time staff who receive salary and benefits, two ministry directors and two officers who serve on a very part-time basis and receive honourarium payments and six ministry area deans who were compensated on a "fee for service" basis for specific tasks they were required to perform during the year (e.g. installations, exit interviews). All of these areas of compensation continue to be carefully controlled while ensuring that employees are compensated fairly. Underspensing in this area was due to a combination of an unexpected illness leave and some contingency in this area of the budget.

Office - The \$129,000 that was required to run the synod office (e.g. utilities, maintenance, computer hardware/software/networking, office supplies, mailing, insurance, auditing, legal and other similar types of expenses) was fully covered by income that is earned on invested funds that were generously donated by our parents and grandparents many years ago. As a result, the offerings that you give to benevolence are allocated in direct support of the synod's four goals as listed above, not to pay for office infrastructure.

National Convention/Synod Assembly – Effective in 2017 delegate registration fees for the ELCIC National Convention changed from a congregational to a synodical responsibility. I'd like to make a special "shout out" to those congregations that supplemented their usual benevolence offering

remittances by including an additional amount to help the synod cover these increased costs during this transition year!

### ***Other 2017 Financial Activities***

During the year the synod received \$400,000, the fifth instalment of an unusually large and most generous unrestricted bequest. In addition, another \$275,000 unrestricted gift was received from the proceeds of a life insurance policy for which the synod had been most generously designated as a beneficiary. In accordance with pre-existing synodical policy, ten percent of undesignated gifts such as these are granted to the ELCIC in support of national/international ministries and the remainder applied to the synod's Undesignated Gift & Bequest Fund.

During 2017 the synod made the first of four annual \$250,000 gifts to Waterloo Lutheran Seminary in support of its commitment to the seminary's Reform Capital Campaign. Commitments such as these wouldn't be possible without the unusually large gifts mentioned in the previous paragraph.

With the closure of St. James Lutheran Church, Cambridge and the subsequent sale of its property, net assets were distributed in accordance with the synod's recently established [Policy for Disbursement of Congregational Assets](#). Under the terms of this policy \$50,000 was disbursed to four local registered charities selected by the congregation, \$297,000 was established as a five year endowment fund with ELFEC and the remaining \$370,000 was transferred to the synod. From the synod's portion, approximately \$300,000 was subsequently granted to Lutheran Homes KW in recognition of the significant role that this organization played in readying the property for sale. The synod's remaining \$70,000 share was added to the balance of the Remembering for the Future Fund (as will, in 2022, the \$297,000 principal from the endowment fund). Income earned by the Remembering for the Future Fund is earmarked to help fund the synod's operating budget.

With the dissolution of Edgewood Camp and Conference Centre membership took action at its final AGM in May, 2017 to transfer the corporation's remaining cash and other assets (approximately \$125,000) to the Eastern Synod. Synod council will determine how to allocate these assets after the sale of Edgewood's property is completed.

Excluding the large bequest and the insurance proceeds mentioned previously, offerings remitted through the synod office for all causes decreased 2.9% in 2017 compared to 2016.

- Canadian Lutheran World Relief received \$287,000, the largest portion of designated funds. 70% of all CLWR offerings were undesignated while the large majority of the remaining 30% of designated offerings were directed towards African famine relief and related causes.
- With almost \$83,000 being donated to the ELCIC's Reformation Challenge in 2017, the synod's total over the past two years falls just shy of \$200,000, an amount that excludes funds that were retained by congregations in support of their own refugee sponsorship/resettlement projects. What a tremendous response! 70% of the Reformation Challenge donations that flowed through the synod office over the past two years were designated for scholarships for schools of the Evangelical Lutheran Church in

Jordan and the Holy Land. The amount raised to date from our synod will fund scholarships for 95 students!

The following table summarizes offerings for all causes (excluding bequests in excess of \$5,000) received by the synod in 2017:

	<b>2016</b>	<b>2017</b>	<b>% Change</b>
Regular Benevolence	\$1,458,021	\$1,435,590	-1.5%
CLWR Undesignated	\$222,081	\$201,086	-9.5%
CLWR Special Appeals	\$99,137	\$86,066	-13.2%
ELCIC Global Mission	\$11,582	\$14,438	24.7%
ELCIC Reformation Challenge	\$108,334	\$82,922	-23.5%
ELCIC Praise Appeal	\$10,460	\$8,328	-20.4%
Camps	\$28,122	\$12,082	-57.0%
Lutheran Campus Ministry	\$6,378	\$4,013	-37.1%
Waterloo Lutheran Seminary	\$13,010	\$27,464	111.1%
Other Misc Designated Gifts	\$25,484	\$53,592	110.3%
<b>TOTAL</b>	<b>\$1,982,609</b>	<b>\$1,925,581</b>	<b>-2.9%</b>

Detailed information on remittances made by each congregation is available on the [2017 Congregational Remittance Report](#) that is posted on the Treasurer/Financial pages on the Eastern Synod website ([www.easternsynod.org](http://www.easternsynod.org)).

### ***Looking Ahead to 2018 and Beyond***

With the closing of some congregations across the synod and the decline in membership and/or financial resources in others, meeting our synodical budget becomes more challenging with each passing year. Over and above \$87,000 of budget cuts that were required in 2017, additional reductions of \$85,000 have been incorporated into the 2018 budget. Among other areas, these reductions affect the financial support that we are able to provide for Waterloo Lutheran Seminary, ministry with youth and young adults, witness/evangelism and congregations.

As has been the case in previous years, if you haven't already done so, I call on your congregation to:

- Review, and where possible, consider increasing your 2018 financial support for synodical and ELCIC ministries
- Communicate your 2018 benevolence commitment to the synod (via the parochial report)

Although we certainly face financial challenges, it is important that we remember to give thanks for all of the gifts that we have received and that we continue to receive. All of us - synod, congregations and members - have each been richly blessed with gifts in abundance and are called to use them wisely!

Keith Myra, Treasurer