

# Eastern Synod of the Evangelical Lutheran Church in Canada

Financial statements  
December 31, 2018



## Independent auditor's report

To the Bishop and Directors of the  
**Eastern Synod of the Evangelical Lutheran Church in Canada**

### Opinion

We have audited the financial statements of **Eastern Synod of the Evangelical Lutheran Church in Canada** [the "Synod"], which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Synod as at December 31, 2018 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Synod 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 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 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.

In preparing the financial statements, management is responsible for assessing the Synod'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 Synod or to cease operations, or has no realistic alternative but to do so.

### Auditor's 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 auditor's 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 Synod'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 Synod's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Synod 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 management 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.

Waterloo, Canada  
May 21, 2019

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

## Eastern Synod of the Evangelical Lutheran Church in Canada

Incorporated by Act of Parliament

### Statement of financial position

As at December 31

	Operating fund	Special purpose fund	2018 Total	2017 Total
	\$	\$	\$	\$
	<i>[note 2]</i>			
<b>Assets</b>				
<b>Current</b>				
Cash	1,402,990	(691,576)	711,414	770,310
Miscellaneous receivables and prepaid expenses	380,184	7,191	387,375	446,988
Due from Evangelical Lutheran Foundation of Eastern Canada ["ELFEC"] <i>[note 8]</i>	—	300,253	300,253	279,017
Accrued interest	—	—	—	376
Current portion of loans receivable <i>[note 4]</i>	—	255,200	255,200	—
Investments – at cost <i>[note 3]</i>	—	—	—	75,500
ELFEC Managed Fund <i>[note 3]</i>	—	237,260	237,260	490,172
<b>Total current assets</b>	<b>1,783,174</b>	<b>108,328</b>	<b>1,891,502</b>	<b>2,062,363</b>
Long-term portion of loans receivable <i>[note 4]</i>	—	237,500	237,500	235,650
Capital assets, net <i>[note 5]</i>	—	701,830	701,830	832,315
	<b>1,783,174</b>	<b>1,047,658</b>	<b>2,830,832</b>	<b>3,130,328</b>
<b>Liabilities and fund balances</b>				
<b>Current</b>				
Accounts payable	195,268	—	195,268	217,918
Due to ELFEC <i>[note 8]</i>	—	34,465	34,465	399,959
<b>Total current liabilities</b>	<b>195,268</b>	<b>34,465</b>	<b>229,733</b>	<b>617,877</b>
Post-retirement benefits obligation <i>[note 6]</i>	1,046,993	—	1,046,993	1,108,142
<b>Total liabilities</b>	<b>1,242,261</b>	<b>34,465</b>	<b>1,276,726</b>	<b>1,726,019</b>
<b>Fund balances</b>				
Invested in capital assets	—	701,830	701,830	832,315
Endowments <i>[note 2]</i>	—	—	—	20,601
Externally restricted	—	24,504	24,504	96,783
Internally restricted	—	286,859	286,859	602,896
Operating fund	540,913	—	540,913	(148,286)
<b>Total fund balances</b>	<b>540,913</b>	<b>1,013,193</b>	<b>1,554,106</b>	<b>1,404,309</b>
	<b>1,783,174</b>	<b>1,047,658</b>	<b>2,830,832</b>	<b>3,130,328</b>

See accompanying notes

On behalf of the Board:

Director

Director

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Statement of operations

Year ended December 31

	Operating fund \$	Special purpose fund \$	2018 Total \$	2017 Total \$
<b>Revenue</b>				
Total offerings of member congregations <i>[schedule 1]</i>	1,393,315	318,152	1,711,467	1,888,242
Program support from other sources	196,661	—	196,661	130,685
Support for ministries and administrative <i>[note 8[a]]</i>	202,376	—	202,376	97,942
Donations, bequests and other receipts <i>[notes 5 and 11]</i>	777,578	1,059,416	1,836,994	1,692,992
Grants from ELFEC <i>[note 8[b]]</i>	344,693	598,310	943,003	1,111,927
Lutheran Campus Ministry Local Council income	—	—	—	829
Allocated interest and other investment income	2,763	8,121	10,884	39,709
	<b>2,917,386</b>	<b>1,983,999</b>	<b>4,901,385</b>	<b>4,962,326</b>
<b>Expenses</b>				
Evangelical Lutheran Church in Canada	394,800	—	394,800	390,900
Martin Luther University College	316,000	—	316,000	366,000
Synodical programmatic committees	314,576	354,665	669,241	563,337
Other ministries and administration	1,159,737	130,813	1,290,550	985,816
Disbursements for special purpose fund projects <i>[note 8[c]]</i>	94,132	1,595,082	1,689,214	1,803,082
Disbursements of special purpose congregational offerings <i>[notes 5 and 11]</i>	—	318,152	318,152	452,652
Post-retirement benefits <i>[note 6]</i>	35,900	—	35,900	39,100
Lutheran Campus Ministry Local Council expenses	6,663	—	6,663	14,879
Amortization of capital assets <i>[note 5]</i>	—	59,868	59,868	51,704
	<b>2,321,808</b>	<b>2,458,580</b>	<b>4,780,388</b>	<b>4,667,470</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>595,578</b>	<b>(474,581)</b>	<b>120,997</b>	<b>294,856</b>

See accompanying notes

Eastern Synod of the Evangelical Lutheran Church in Canada

Statement of fund balances

Year ended December 31

	Operating fund \$	Endowment fund \$	Internally restricted fund \$	Externally restricted fund \$	2018 Total \$	2017 Total \$
<b>Fund balances, beginning of year</b>	(148,286)	20,601	1,435,211	96,783	1,404,309	906,653
Reallocation of unrestricted funds <i>[note 7]</i>	64,821	—	(64,821)	—	—	—
Excess (deficiency) of revenue over expenses for the year	595,578	(20,601)	(381,701)	(72,279)	120,997	294,856
Adjustment to post-employment benefits <i>[note 6]</i>	28,800	—	—	—	28,800	202,800
<b>Fund balances, end of year</b>	<b>540,913</b>	<b>—</b>	<b>988,689</b>	<b>24,504</b>	<b>1,554,106</b>	<b>1,404,309</b>

See accompanying notes

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Statement of cash flows

Year ended December 31

	2018	2017
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	120,997	294,856
Add (deduct) items not involving current payment of cash		
Amortization of capital assets	59,868	51,704
Accretion of implicit interest on loans receivable <i>[note 4]</i>	(7,050)	(6,900)
Post-retirement benefits expense <i>[note 6]</i>	35,900	39,100
Gain on disposal of capital assets <i>[note 5]</i>	(725,605)	—
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	(349,391)	556,440
Post-retirement benefits plan funding <i>[note 6]</i>	(68,249)	(61,688)
<b>Cash provided by (used in) operating activities</b>	<b>(933,530)</b>	<b>873,512</b>
<b>Investing activities</b>		
Purchase of capital assets <i>[note 5]</i>	(47,362)	(76,647)
Proceeds from disposal of capital assets <i>[note 5]</i>	843,584	—
Decrease (increase) in investments	328,412	(31,300)
Increase in loans receivable	(250,000)	—
<b>Cash provided by (used in) investing activities</b>	<b>874,634</b>	<b>(107,947)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(58,896)</b>	<b>765,565</b>
Cash, beginning of year	770,310	4,745
<b>Cash, end of year</b>	<b>711,414</b>	<b>770,310</b>

See accompanying notes

# Eastern Synod of the Evangelical Lutheran Church in Canada

## Notes to financial statements

December 31, 2018

### 1. Purpose of the Synod

The purpose of the Eastern Synod of the Evangelical Lutheran Church in Canada [the "Synod"] is to facilitate and advance the mission of the Evangelical Lutheran Church in Canada in Ontario, Quebec and the Maritime provinces. The Synod is a registered charity under the *Income Tax Act* (Canada) and is exempt from income taxes.

### 2. Significant accounting policies

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Corporations," which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

#### Fund accounting

The accounts of the Synod are maintained in accordance with the principles of fund accounting, a procedure by which resources for various purposes are classified in accordance with activities or objectives as specified by donors or limitations imposed by the Synod Council. For financial reporting purposes, the Synod has combined funds with similar characteristics into two major fund groups as follows:

##### *[i] Operating*

This fund accounts for amounts received, amounts expended and funds available to be spent on the general operations and administration of the Synod.

##### *[ii] Special purpose*

This fund accounts for donations, grants, bequests and other income received, and amounts expended and amounts available to be spent for certain restricted purposes as dictated by the donor or appropriated by the Synod. In some cases, only the income from these funds may be expended and the principal amount must be permanently endowed.

#### Revenue and expense recognition

The Synod follows the restricted fund method of accounting for contributions. Donations and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of the appropriate restricted fund. Contributions for endowment are recognized as revenue of the externally restricted fund.

#### Investments

Investment certificates are valued at amortized cost using the effective interest rate method. The investment in the ELFEC Managed Fund is measured at fair value, with any gains or losses recognized in income in the period incurred. Transactions are recorded on a trade-date basis, and transaction costs are expensed as incurred.

#### Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is provided on a straight-line basis over the following periods:



## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

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Office equipment	3 – 5 years
Office building and furniture	25 years
Vehicles	3 – 4 years
Delton Glebe Counselling Centre property	25 years
Lutherlyn assets	10 – 20 years
Camp Mush-a-Mush assets	10 – 25 years

#### Financial instruments

Loans receivable are initially recorded at fair value and then carried at amortized cost using the effective interest rate method and the interest rate implied in the fair value determination.

As at each balance sheet date, the Synod assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. If there is an indication of impairment, the Synod determines if a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the asset. If there is a significant adverse change, then the Synod reduces the carrying amount of the asset to the highest of the following:

- the present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to the asset;
- the amount that could be realized by selling the asset as at the balance sheet dates; and
- the amount the Synod expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

A previously recognized impairment loss is reversed to the extent that the improvement can be related to an event occurring after the impairment was recognized.

It is management's opinion that the Synod is not exposed to significant interest rate risk or currency risk arising from its financial instruments.

The Synod is subject to credit risk with respect to its miscellaneous receivables, loans receivable and amounts due from ELFEC. The maximum credit risk is the fair value of these receivables.

#### Post-retirement benefits

The Synod provides extended health care benefits to certain retired pastors, diaconal ministers, clergy and their spouses after retirement.

The post-retirement benefit obligation is actuarially determined using the projected benefit method prorated on services. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments at the discount rate and management's best estimates regarding assumptions about retirement age, termination rates, mortality rates and expected health care costs.

#### Related party transactions

Related party transactions are in the normal course of operations and are initially measured at the carrying amount.

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

December 31, 2018

#### 3. Investments

Investment certificates issued by the Evangelical Lutheran Church in Canada are carried at amortized cost of nil [2017 – \$75,500], as they matured on February 11, 2018.

The ELFEC Managed Fund was established in 2016 to hold funds that will be used towards the Synod's commitment to Martin Luther University College's ["Luther"] [previously known as Waterloo Lutheran Seminary ["WLS"]] capital fundraising campaign [note 9]. During 2018, \$250,000 was withdrawn by the Synod to fund a capital campaign contribution. The fund is recorded at market value of \$237,260 [2017 – \$490,172].

#### 4. Loans receivable

Loans receivable consist of the following:

	2018 \$	2017 \$
Loan receivable from non-interest bearing loans	250,000	270,600
Loan receivable from interest bearing loan	250,000	—
Less reduction in carrying value to recognize interest implied in the face value	7,300	14,350
Less allowance for loans receivable	—	20,600
Net carrying value	492,700	235,650
Less current portion	255,200	—
	<b>237,500</b>	235,650

The loan receivable from Martin Luther University College is due on December 31, 2019. The fair value of the loan was measured at its present value, using an effective interest rate of 3.0%. Implied interest income on the loan is recognized at 3.0% over the life of the loan, with a corresponding recognition of interest income in each period. Interest income earned during 2018 was \$7,050 [2017 – \$6,900], offset by a reduction in carrying value to recognize interest implied. This loan receivable is not secured by any collateral.

During 2018, a loan of \$250,000 was advanced to AONATION at an interest rate of 4.99%. Interest is paid monthly. Repayment of \$12,500 of principal is due in November 2019 with the remaining balance due in October 2020. The loan is secured by a second mortgage against the related property.

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

December 31, 2018

#### 5. Capital assets

[a] Capital assets consist of the following:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	59,730	35,506	24,224
Office building	676,673	472,754	203,919
Vehicles	29,019	4,353	24,666
Delton Glebe Counselling Centre property	217,621	27,732	189,889
Lutherlyn assets	256,695	122,240	134,455
Camp Mush-a-Mush assets	202,457	77,779	124,678
	<b>1,442,195</b>	<b>740,364</b>	<b>701,830</b>

  

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer hardware and photocopier	20,365	20,365	—
Office furniture and equipment	47,636	32,391	15,245
Office building	676,673	445,687	230,986
Vehicles	29,608	29,608	—
Delton Glebe Counselling Centre property	211,371	22,739	188,632
Edgewood assets	573,318	455,339	117,979
Lutherlyn assets	256,695	112,964	143,731
Camp Mush-a-Mush assets	202,457	66,715	135,742
	<b>2,018,123</b>	<b>1,185,808</b>	<b>832,315</b>

[b] The change in the net book value of capital assets is due to the following:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>832,315</b>	807,372
Transfer of property	—	72,196
Purchase of capital assets	<b>47,362</b>	4,451
Sale of Edgewood property	<b>(117,979)</b>	—
Amortization of capital assets	<b>(59,868)</b>	(51,704)
<b>Balance, end of year</b>	<b>701,830</b>	832,315

## Eastern Synod of the Evangelical Lutheran Church in Canada

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The Synod currently owns the following properties: Bear Lake, Ontario; Toronto, Ontario [Christ]; Elliot Lake, Ontario [Faith] and cemeteries in Shantz Station, Ontario [previously owned by Trinity] and Riverside Heights, Ontario [previously owned by St. John's]. These properties were all acquired in previous years for a nominal amount.

During 2013, the Synod repurposed the Lutheran Campus Ministry property to house the Delton Glebe Counselling Centre. Included in the Delton Glebe Counselling Centre assets is land carried at \$94,116 [2017 – \$94,116], which is not subject to amortization.

During 2016, the Synod terminated the lease agreement for the Edgewood property with Edgewood Camp and Conference Centre and since that time has been classified as held for sale as it had been prepared for sale. The property was sold during 2018 for net proceeds of \$776,679, resulting in a gain on disposition of \$658,700 that is included in Donations, bequests and other receipts on the Statement of Operations.

During 2018, the Synod sold St. John's Riverside Heights for net proceeds of \$66,452, resulting in a gain on disposition of \$66,452 that is included in Donations, bequests and other receipts on the Statement of Operations. The Synod still owns the cemetery at Riverside Heights.

During 2018, the Synod also sold Trinity Shantz Station for net proceeds of \$453, resulting in a gain on disposition of \$453 that is included in Donations, bequests and other receipts on the Statement of Operations. The Synod still owns the cemetery of Trinity Shantz Station.

Included in the Lutherlyn assets is land carried at \$48,549 [2017 – \$48,549], which is not subject to amortization.

Included in the Camp Mush-a-Mush assets is land carried at \$76,680 [2017 – \$76,680], which is not subject to amortization.

The Delton Glebe Counselling Centre property, Lutherlyn assets, Camp Mush-a-Mush assets are held for leasing purposes.

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

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#### 6. Post-retirement benefits

The Synod provides extended health care benefits to certain retired pastors, diaconal ministers, clergy and their spouses after retirement if the retirees attain the age of 65 prior to January 1, 2013 and meet certain eligibility requirements.

The Synod retained the services of Morneau Shepell Ltd., a third-party firm, to perform a valuation of post-employment benefits as at January 1, 2017. The Synod measures its accrued benefit obligation for accounting purposes as at December 31 of each year. The Synod does not have any assets specifically designated to cover the accrued benefit obligation.

Information about the Synod's post-retirement benefits plan as at December 31 is as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Accrued benefit obligation, beginning of year</b>	<b>1,108,142</b>	1,333,530
Interest cost	<b>35,900</b>	39,100
Actuarial revaluation	<b>(28,800)</b>	(202,800)
Benefits paid	<b>(68,249)</b>	(61,688)
<b>Accrued benefit obligation, end of year</b>	<b>1,046,993</b>	1,108,142

The significant actuarial assumptions adopted in measuring the Synod's post-retirement benefits obligation and benefits cost are as follows:

	<b>2018</b>	<b>2017</b>
Discount rate	<b>3.70%</b>	3.40%
Health care cost trend rate	<b>6.00%</b>	6.00%
Ultimate health care cost trend rate	<b>4.00%</b>	4.00%
Ultimate trend rate reached in year	<b>2026</b>	2026

#### 7. Interfund transfer

In 2018, internally restricted funds of \$64,821 [2017 – \$185,376] were reclassified to unrestricted. This change is reflected on the statement of fund balances. The change in 2018 was due to the return of unused funds from Edgewood Camp and Conference Centre that the Synod granted to Edgewood from its unrestricted funds in previous years, internally restricting these funds for redevelopment purposes. The majority of the change in 2017 was due to reclassifying a fund previously established to provide loan assistance to the bishop when purchasing a residence, which was no longer necessary. The income generated from the unrestricted fund is used to support Synod operations.

# Eastern Synod of the Evangelical Lutheran Church in Canada

## Notes to financial statements

December 31, 2018

### 8. Related party transactions

The Synod is related to the ELFEC, a foundation whose directors are elected by the Synod Council and ELFEC directors. The ELFEC is a registered charity that supports and furthers the life, work and mission of the Eastern Synod of the Evangelical Lutheran Church in Canada, its congregations and affiliated institutions, and other faith-based organizations with similar purposes by encouraging generous giving, prudently investing assets entrusted to it and granting money to Lutheran charities that respond creatively and effectively to God's call to ministry.

The following is a summary of transactions during the year:

- [a] The Synod provides use of its facilities and administrative services to the ELFEC for which it receives a fee of \$13,300 [2017 – \$13,300] annually under the terms of the office facilities agreement. This amount is included in support for ministries and administrative revenue on the statement of operations.
- [b] The Synod receives grants from the ELFEC as approved by the Board of Directors. Total grants to the Synod for the year were \$943,003 [2017 – \$1,111,927].
- [c] During the year, the Synod transferred to the ELFEC \$94,132 from the operating fund [2017 – \$383,549] and \$887,214 from the special purpose fund [2017 – \$746,080] of the funds received from donors, which were designated for investment purposes and are included in disbursements for special purpose fund projects on the statement of operations.

Amounts due from/to ELFEC are as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Due from ELFEC	<b>300,253</b>	279,017
Due to ELFEC	<b>(34,465)</b>	(399,959)

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

December 31, 2018

#### 9. Controlled entities

The Synod controls Lutheran Homes Kitchener-Waterloo ["LHKW"] and Luther.

The purpose of LHKW is to provide and operate non-profit residential accommodation and facilities incidental thereto, exclusively for persons of low/modest income, senior citizens of low/modest income, and disabled persons of low/modest income. LHKW is a registered charity, incorporated under the laws of Ontario and exempt from incomes taxes under section 149 of the *Income Tax Act* (Canada). The Synod Bishop appoints one individual to LHKW's Board of Directors and the Directors and Synod Council appoint the remaining directors.

Luther is an institution of the Eastern Synod of the Evangelical Lutheran Church in Canada, federated with Wilfrid Laurier University. The purpose of Luther is to provide for the scholarly study of the Christian faith, especially in its Lutheran understanding, and for the education of persons in and for Christian ministry, especially in the Lutheran Church and the Canadian context. Luther is a registered charity under the *Income Tax Act* (Canada) and exempt from income taxes. The Synod Council appoints members to Luther's Board of Governors according to the terms determined by Luther. Luther's property, both real and personal, is held by the Board of Governors in trust for and under the guidance of the Synod.

None of the controlled entities have been consolidated in these financial statements. The restrictions on the resources of the controlled entities are represented by the identification of separate funds in those entities [capital funds, internally and externally restricted funds, and trust and endowment funds]. Summarized information from the most recent audited financial statements of these non-consolidated entities is as follows:

	2018	
	LHKW	Luther
	\$	\$
<b>Financial position</b>		
Total assets	31,744,690	18,351,959
Total liabilities	24,042,524	4,387,759
<b>Total net assets</b>	<b>7,702,166</b>	<b>13,964,200</b>
<b>Results of operations</b>		
Total revenue	15,397,586	3,601,170
Total expenses	14,389,277	2,732,144
Investment income	—	265,105
<b>Excess of revenue over expenses for the year</b>	<b>1,008,309</b>	<b>1,134,131</b>
<b>Cash flows</b>		
Cash provided by operating activities	1,627,553	4,636,871
Cash used in investing activities	(189,303)	(5,107,532)
Cash provided by (used in) financing activities	(1,218,537)	836,710
<b>Net increase in cash during the year</b>	<b>219,713</b>	<b>366,049</b>

## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

December 31, 2018

	<b>2017</b>	
	<b>LHKW</b>	<b>Luther</b>
	\$	\$
<b>Financial position</b>		
Total assets	31,755,218	15,564,897
Total liabilities	25,065,370	2,953,193
<b>Total net assets</b>	<b>6,689,848</b>	<b>12,611,704</b>
<b>Results of operations</b>		
Total revenue	14,413,538	3,159,292
Total expenses	13,688,609	2,731,915
Investment income	—	1,129,752
<b>Excess of revenue over expenses for the year</b>	<b>724,929</b>	<b>1,557,129</b>
<b>Cash flows</b>		
Cash provided by operating activities	1,371,064	1,018,893
Cash used in financing and investing activities	(1,298,548)	(1,002,936)
<b>Net increase in cash during the year</b>	<b>72,516</b>	<b>15,957</b>

The financial statements for Luther are prepared as at April 30, 2018. In the eight-month period ended December 31, 2018, there have been no events or transactions out of the ordinary that would significantly impact the Synod's financial position or results of operations.

During 2016, the Synod committed \$1,000,000 to Luther's capital fundraising campaign for major renovations and upgrading of its existing facility with payments of \$250,000 to be made in each of 2017, 2018, 2019 and 2020. The 2017 and 2018 payments were made on schedule. The payment in 2020 is contingent on Luther repaying the \$250,000 interest free loan to the Synod.

#### 10. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	<b>2018</b>	<b>2017</b>
	\$	\$
Decrease (increase) in miscellaneous receivables, prepaid expenses and accrued interest	<b>59,989</b>	(32,679)
Net change in amounts due from/to ELFEC	<b>(386,730)</b>	612,166
Decrease in accounts payable	<b>(22,650)</b>	(23,047)
	<b>(349,391)</b>	556,440



## Eastern Synod of the Evangelical Lutheran Church in Canada

### Notes to financial statements

December 31, 2018

#### **11. Non-recurring receipts**

In 2018, the Synod received significant non-recurring donations from estates totalling \$763,892 for the operating fund and \$924,868 [gross proceeds] from the sale of properties, which are recorded in Donations, bequests and other receipts on the statement of operations in the special purpose fund.

In 2017, the Synod received significant non-recurring donations from estates totalling \$250,000 for the special purpose fund and \$425,210 for the operating fund, and \$796,910 [gross proceeds] from the sale of property. In addition, the cash assets from the Camp Edgewood property of \$124,644 were transferred to the Synod. These receipts are recorded in Donations, bequests and other receipts on the statement of operations.

## Schedule of offerings

Year ended December 31

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Offerings for Synod programs</b>		
Regular benevolence	<b>1,393,315</b>	1,435,590
<b>Offerings for special purposes</b>		
Canadian Lutheran World Relief	<b>244,372</b>	287,152
Lutheran Campus Ministry	<b>1,553</b>	4,013
Martin Luther University College	<b>27,654</b>	27,464
Synod camps	<b>9,947</b>	12,082
Praise appeal	<b>3,263</b>	8,328
Global missions	<b>9,412</b>	14,438
Reformation challenge	<b>16,418</b>	82,923
Other	<b>5,533</b>	16,252
<b>Total offerings for special purposes</b>	<b>318,152</b>	452,652
<b>Total offerings of member congregations</b>	<b>1,711,467</b>	1,888,242

This schedule excludes offerings in the amount of \$57,620 [2017 – \$37,340] that were remitted for designated synodical ministries that are already included in donations, bequests and other receipts in the statement of operations.