



THE EASTERN SYNOD'S 2018 FINANCIAL STORY (PRE-AUDIT)

The Bottom Line

Once again in 2018 the Synod's operating budget supported an impressive list of ministries. For this we are most grateful! However, several financial challenges clouded this picture somewhat.

As has been the case for the last few years, both income and expenditures for the Synod's operations in 2018 were less than budgeted. A key difference in 2018 was a \$74,000 deficit that more than used up small surpluses that had been achieved over each of the previous three years.

2018 Summary	Actual	Budget	Variance
Total Income	\$2,523,826	\$2,662,853	-\$139,027
Total Expenditures	\$2,598,223	\$2,662,853	-\$64,630
Surplus / (Deficit)	-\$74,397	\$0	-\$74,397

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 special treatment for capital purchases or actuarial adjustments that are made for future obligations relating to retiree benefit premiums.

Operating Fund: Income Summary

INCOME	Actual	Budget	Variance
Benevolence Offerings	\$1,393,335	\$1,421,200	-\$27,865
ELCIC Grants	\$152,503	\$98,000	\$54,503
ELFEC Grants	\$751,777	\$904,748	-\$152,971
Rent/Services/Other	\$59,744	\$55,000	\$4,744
Assembly/Retreat Registration Fees	\$142,998	\$155,905	-\$12,907
Individual Donations	\$23,468	\$28,000	-\$4,532
Total	\$2,523,826	\$2,662,853	-\$139,027

On an overall basis, 2018 operating income was \$139,000 less than budgeted due to several factors:

- Although a number of congregations were able to increase (or maintain) their level of benevolence offerings remitted to the Synod, in total these offerings were 2% below budget and 3% below amounts received during the previous year. Benevolence receipts have been on a steady decline since reaching an all-time high in 1992, but the decline in 2018 (and in recent years) has been on a somewhat steeper curve. For the second

consecutive year, total benevolence offerings set a new record all-time low.

- The budget anticipated modest gains for the investment portfolio held by the Evangelical Lutheran Foundation of Eastern Canada (ELFEC) that has been purposed for supporting Synodical ministries. However, a challenging investment environment, especially during the fourth quarter of the year, resulted in small losses. As a result, some of ELFEC's grants were less than budgeted.
- Registrations (and hence registration fees) for Assembly 2018 were lower than anticipated.

Our other major source of funding is received from the ELCIC national church. In 2018 these grants totaled slightly more than \$150,000 and included grants from the Church Extension Capital Fund (CECF), Compassionate Justice Initiative (CJI) funding, as well as funding from several other smaller sources.

We as a Synod are very grateful for the offerings and other funding that we receive from all congregations, as well as from individuals and other sources. Two groups of congregations are worthy of special recognition:

[Congregations Increasing their Benevolence Offerings from 2017 to 2018](#)

[Congregations Exceeding their 2018 Benevolence Commitment](#)

Operating Fund: Expenditure Summary

EXPENDITURES	Actual	Budget	Variance
ELCIC	\$394,800	\$394,800	\$0
Martin Luther University College	\$316,000	\$316,000	\$0
Mission Committee	\$460,090	\$467,125	-\$7,035
Youth & Young Adult Ministries	\$110,100	\$124,178	-\$14,078
Candidacy Committee	\$27,869	\$39,500	-\$11,631
Professional Leadership Committee	\$188	\$250	-\$62
Stewardship & Resource Development	\$34,000	\$36,400	-\$2,400
Communication	\$22,862	\$24,200	-\$1,338
Ministry Director Programming	\$14,132	\$11,300	\$2,832
Office of the Bishop	\$45,095	\$42,600	\$2,495
Salaries and Professional	\$748,980	\$756,250	-\$7,270
Office	\$139,278	\$148,100	-\$8,822
Retreats	\$47,723	\$48,000	-\$277
Synod Council	\$16,103	\$18,150	-\$2,047
Ministry Area Programming	\$27,205	\$33,000	-\$5,795
Retiree Health Insurance Subsidy	\$68,249	\$69,400	-\$1,151
National Convention / Synod Assembly	\$125,549	\$133,600	-\$8,051
Total Expenditures	\$2,598,223	\$2,662,853	-\$64,630

As the previous table indicates, 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 of these expenditures included support for most of our long-established and highly valued traditional ministries. But they also included newer, innovative and experimental forms of ministry, spanning 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:

ELCIC – As has been the case for many years now, the ELCIC continues to be a significant and high priority item, and the Synod met its commitment to the National Church in 2018. Our remittance of \$394,800 represented a \$3,900 (1%) increase over 2017.

Martin Luther University College – Although budget constraints necessitated a \$100,000 reduction in annual funding to Martin Luther University College (previously known as Waterloo Lutheran Seminary), our 2018 grant of \$316,000 is still a sizeable amount and is reflective of the importance and value that we place on this institution.

Mission Committee – The \$460,000 of expenditures in this area consisted of 38 grants that were awarded congregations to help fund their outreach initiatives. In addition, 8 grants were allocated to support other organizations, including several Synod-sponsored initiatives. All of these grants funded an impressive array of outreach activities, including: ministry to the hungry, lonely and impoverished; supporting adults and children with disabilities or other challenges, restoring right relations with our Indigenous neighbours, providing alternate forms of worship aimed at involving the wider community; providing program assistance to congregations; supporting organizational transformation; funding for church property redevelopment; and providing subsidies for signs and websites.

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 a number of other ministry programs targeted for youth and young adults across the Synod. These ministries provide a various opportunities for spiritual growth, service ministries, fun and fellowship for youth and young adults while at the same time, assist in developing leaders for the church of today and tomorrow.

Salaries and Professional – This area of the budget provided compensation and benefits for twenty people (five full-time staff and five part-time staff who receive salary and benefits, three ministry directors and two officers who serve on a very part-time basis with some compensation and seven 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 forms of compensation continue to be carefully controlled while ensuring that employees

are compensated fairly.

Office - The \$139,000 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.

Synod Assembly – Assembly 2018, held in Toronto, attracted over 200 delegates and visitors from congregations across the Synod. Most of the expenses for this event are self-funded through registration and other fees, with the remainder covered by the Synod itself.

97.6% of budget funds were expended. The remaining unspent amounts, totaling approximately \$64,000, were spread across most of the budget areas.

Other 2018 Significant Financial Activities

One of the noteworthy achievements in 2018 was ELFEC's success in obtaining a court order that provides additional flexibility for several bequests that had been designated for Canadian Mission in the Eastern Synod. Over and above investment income that these funds will earn in future years, approximately \$1 million of income that was unable to be spent in previous years is now available for allocation to fund a variety of Canadian Mission ministries.

During the year the Synod reported several non-repeatable, extraordinary sources of revenue:

- The sixth instalment (\$425,000) of an unusually large and most generous unrestricted bequest was received. In accordance with pre-existing Synodical policy, ten percent from these proceeds was granted to the ELCIC in support of national/international ministries and the remainder applied to the Synod's Undesignated Gift & Bequest Fund.
- Gifts were received from two congregations that merged with other congregations:
 - \$250,400 from St. Philip's, Kitchener – The Synod used these funds to provide a second mortgage to Anishnabeg Outreach, a not-for-profit organization focused on enabling the Indigenous community to improve employment skills and job opportunities.
 - \$80,000 from Faith, Deep River – These funds were credited to the "Remembering for the Future Fund", income from which will support Synodical ministries in future years).
- Even though it is no longer financially viable for the synod to continue to provide outdoor ministry at Edgewood Camp and Conference Centre, it is both reassuring and exciting to know that through its legacy, Edgewood's long history of ministering to children, youth and young adults will continue in future years. This has been made possible through the allocation of approximately \$775,000 in net proceeds that was realized from the sale of the property in 2018 in combination with cash assets that were transferred to the synod in 2017. As a result:
 - \$330,000 was added to an Endowment Fund that will generate income to help fund youth and adult ministries in future years;

- \$380,000 was allocated to fund future capital projects at Camp Lutherlyn and Camp Mush-a-Mush;
 - \$90,000 of unused Edgewood redevelopment funds were returned to the Synod;
 - \$25,000 was allocated for the Restoration of Identity (ROI) Indian Residential School Survivors (IRSS) Legacy Project;
 - \$25,000 was allocated for future use by the Youth and Young Ministries Committee for Indigenous projects;
 - \$21,000 repaid the Synod for a loan that had been made in previous years to Edgewood; and
 - \$20,000 was allocated to Camp Lutherlyn and Camp Mush-a-Mush to help cover future emergency situations.
- Net proceeds of approximately \$50,000 were realized from the sale of the building / property previously owned by St. John's, Riverside Heights and will be applied to the "Remembering for the Future" fund.
 - The building/property previously owned by Trinity, Shantz Station was sold. After accounting for carrying costs for the ten years that this property was on the market, extensive surveying and legal work that was required and the usual closing costs, no net proceeds were realized from this sale.
 - The Synod's "Remembering for the Future Fund" was the recipient of cash transfers of ~\$3,000 from St. James, Cambridge and ~ \$12,000 from Maranatha Mission, Kitchener, both of which closed in 2017.

Following is a summary of offerings for all causes (excluding bequests in excess of \$5,000) that were received by the Synod in 2018. The total represents an 8% decrease from 2017. Canadian Lutheran World Relief continued to be the most popular choice for designated causes with offerings totaling just slightly more than \$244,000.

	2017	2018	% Change
Regular Benevolence	\$1,435,590	\$1,393,315	-2.9%
CLWR Undesignated	\$201,086	\$224,150	11.5%
CLWR Special Appeals	\$86,066	\$20,202	-76.5%
ELCIC Global Mission	\$14,438	\$9,412	-34.8%
ELCIC Reformation Challenge	\$82,922	\$16,418	-80.2%
ELCIC Praise Appeal	\$8,328	\$3,263	-60.8%
Camps	\$12,082	\$9,947	-17.7%
Lutheran Campus Ministry	\$4,013	\$1,553	-61.3%
Martin Luther Univ College	\$27,464	\$27,654	0.7%
Other Misc Designated Gifts	\$53,592	\$63,732	18.9%
TOTAL	\$1,925,581	\$1,769,646	-8.1%

Detailed information on remittances made by each congregation is available on the [2018 Congregational Remittance Report](#) that is posted on the Treasurer/Financial pages on the Eastern Synod website (www.easternsynod.org). Please accept my sincere thanks for your financial gifts to the synod over the past year. They are important and very much appreciated!

Several extraordinary expenditures also occurred during the year and included:

- The second of four annual \$250,000 gifts to Martin Luther University College in support of the Synod's commitment to the Reform Capital Campaign. This gift was made possible through the large bequest mentioned earlier.
- Approximately \$50,000 was expended on various capital items that included replacing the Synod's vehicle with a newer model, upgrading the Synod's aging telephone system, replacing a boiler and making several technology upgrades.

Looking Ahead to 2019 and Beyond

Synod Council will be considering several refinements to the 2019 budget at its April meeting. These refinements are in response to the greater than anticipated decline in Benevolence offerings that occurred in 2018, as well as several new priorities that have emerged since the original budget was presented at Assembly 2018.

Now that we're well into 2019, I call on your congregation to continue your partnership with the Synod by:

- Reviewing, and where possible, increasing your 2019 financial support for church-wide ministries
- Communicating your 2019 benevolence commitment to the Synod (via the parochial report)

Keith Myra, Treasurer