

Financial Statements

Evangelical Lutheran Church in Canada
December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the National Church Council of the
Evangelical Lutheran Church in Canada

We have audited the accompanying financial statements of the **Evangelical Lutheran Church in Canada**, which comprise the statements of financial position as at December 31, 2012 and 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Evangelical Lutheran Church in Canada** as at December 31, 2012 and 2011, and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Canada,
May 6, 2013.

Ernst & Young LLP

Chartered Accountants

Evangelical Lutheran Church in Canada

STATEMENTS OF FINANCIAL POSITION

	As at December 31 2012 \$	As at December 31 2011 \$	As at January 1, 2011 \$
ASSETS <i>[note 3]</i>			
Current			
Cash and cash equivalents	580,505	478,691	562,586
Accounts and other receivables	514,548	410,156	491,926
Current portion of mortgages receivable <i>[note 5]</i>	3,120,384	531,093	2,649,665
Land held for sale <i>[note 19]</i>	252,427	—	—
Prepaid expenses	37,134	33,924	35,434
Total current assets	4,504,998	1,453,864	3,739,611
Investments <i>[note 4]</i>	16,823,602	15,515,512	13,631,690
Land held for future development <i>[note 2]</i>	1,177,545	1,919,236	1,911,930
Mortgages receivable <i>[note 5]</i>	2,369,746	5,424,019	4,715,458
Capital assets, net <i>[note 6]</i>	21,599	26,073	39,600
Funds held for Continuing Education Plan <i>[note 9]</i>	792,936	766,618	721,625
	25,690,426	25,105,322	24,759,914
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	460,707	598,360	434,612
Current portion of certificates payable <i>[note 7]</i>	357,777	362,766	745,919
Total current liabilities	818,484	961,126	1,180,531
Certificates payable <i>[note 7]</i>	1,327,298	1,496,429	1,166,323
Deferred contributions <i>[note 8]</i>	1,015,035	1,119,597	1,022,342
Continuing Education Plan <i>[note 9]</i>	792,936	766,618	721,625
Other liabilities	177,524	199,047	146,505
Total liabilities	4,131,277	4,542,817	4,237,326
Contingencies and commitments <i>[note 16]</i>			
Net assets			
Endowments <i>[note 11]</i>	2,144,061	2,139,463	2,128,867
Internally restricted <i>[note 12]</i>	18,248,945	17,375,977	17,372,176
Unrestricted	1,166,143	1,047,065	1,021,545
Total net assets	21,559,149	20,562,505	20,522,588
	25,690,426	25,105,322	24,759,914

See accompanying notes

On behalf of the National Church Council:

Director

Director

Evangelical Lutheran Church in Canada

STATEMENTS OF OPERATIONS

Years ended December 31

	2012	2011
	\$	\$
REVENUE		
Synods <i>[note 13]</i>	845,977	881,363
Directed <i>[note 14]</i>	476,266	525,157
ELCIC Praise Appeal	166,070	50,359
Canada Lutheran	268,072	248,095
Convention	3,500	422,430
Affiliated conferences and events	384,070	14,029
Investment income <i>[note 4]</i>	620,752	785,575
Other	55,674	44,212
	2,820,381	2,971,220
EXPENSES <i>[note 15]</i>		
Global Ministries	227,862	344,459
National Ministries	428,417	411,070
Synodical Ministries <i>[note 5]</i>	458,959	521,250
Support to Ministries	102,664	102,605
Partnerships	87,703	99,780
Canada Lutheran	238,449	256,748
Convention	34,983	417,871
Salaries and benefits	600,035	585,904
Affiliated conferences and events	302,748	55,445
Interest expense		
Short-term	15,889	16,320
Long-term	35,107	37,027
Adjustment to long-term LIFE annuities	—	75,360
Amortization	18,109	18,060
	2,550,925	2,941,899
Excess of revenue over expenses before the following	269,456	29,321
Realized gain on sale of land held for future development	722,590	—
Excess of revenue over expenses for the year	992,046	29,321

See accompanying notes

Evangelical Lutheran Church in Canada

STATEMENTS OF CHANGES IN NET ASSETS

	Endowments	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 11]</i>	<i>[note 12]</i>		
Net assets, January 1, 2011	2,128,867	17,372,176	1,021,545	20,522,588
Excess of revenue over expenses for the year <i>[note 12]</i>	—	3,801	25,520	29,321
Endowment contributions, including restricted investment returns	10,596	—	—	10,596
Net assets, December 31, 2011	2,139,463	17,375,977	1,047,065	20,562,505
Excess of revenue over expenses for the year <i>[note 12]</i>	—	872,968	119,078	992,046
Endowment contributions, including restricted investment returns	4,598	—	—	4,598
Net assets, December 31, 2012	2,144,061	18,248,945	1,166,143	21,559,149

See accompanying notes

Evangelical Lutheran Church in Canada

STATEMENTS OF CASH FLOWS

Years ended December 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	992,046	29,321
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization	18,109	18,060
Realized gain on sale of land held for future development	(722,590)	—
	<u>287,565</u>	<u>47,381</u>
Changes in non-cash working capital balances related to operations		
Accounts and other receivables	(104,392)	81,770
Prepaid expenses	(3,210)	1,510
Accounts payable and accrued liabilities	(137,653)	163,748
Net change in deferred contributions	(104,562)	97,255
Net change in other liabilities	(21,523)	52,542
Cash provided by (used in) operating activities	<u>(83,775)</u>	<u>444,206</u>
INVESTING ACTIVITIES		
Mortgage principal payments received	464,982	1,410,011
Purchase of capital assets	(13,635)	(4,533)
Additions to land held for future development	(88,431)	(7,306)
Proceeds received related to future sale of land held for future development <i>[note 19]</i>	50,000	—
Proceeds on sale of land held for future development	1,250,285	—
Increase in funds held for Continuing Education Plan	(26,318)	(44,993)
Net increase in investments	(1,308,090)	(1,883,822)
Cash provided by (used in) investing activities	<u>328,793</u>	<u>(530,643)</u>
FINANCING ACTIVITIES		
Endowment contributions	4,598	10,596
Decrease in certificates payable	(174,120)	(53,047)
Net contributions to Continuing Education Plan	26,318	44,993
Cash provided by (used in) financing activities	<u>(143,204)</u>	<u>2,542</u>
Net increase (decrease) in cash and cash equivalents during the year	101,814	(83,895)
Cash and cash equivalents, beginning of year	478,691	562,586
Cash and cash equivalents, end of year	<u>580,505</u>	<u>478,691</u>

See accompanying notes

Evangelical Lutheran Church in Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. PURPOSE OF ORGANIZATION

The Evangelical Lutheran Church in Canada ["ELCIC"] is a national organization, the mission of which, as an expression of the universal Church and as an instrument of the Holy Spirit, is to bring the Gospel of Jesus Christ to people in Canada and around the world through the proclamation of the Word and the administration of the Sacraments and through service in Christ's name. ELCIC was incorporated in Canada on December 12, 1985 under the provisions of the Evangelical Lutheran Church in Canada Act and is a registered charity under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES AND FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

A. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of ELCIC have been prepared in accordance with Part III of the Canadian Institute of Chartered Accountants ["CICA"] Handbook - *Accounting Standards for Not-for-Profit Organizations*, which sets out generally accepted accounting principles for not-for-profit organizations ["GAAP"] in Canada and includes the significant accounting policies described below.

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.

Revenue recognition

ELCIC follows the deferral method of accounting for contributions:

- Unrestricted and internally restricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred and are recorded in deferred contributions until that time.

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- Externally endowed contributions, which represent amounts for which only the income earned thereon is available for either general operating or specified restricted purposes, are recognized as direct increases to net assets.
- Restricted investment income is recognized as revenue in the year in which the related expenses are incurred and are recorded in deferred contributions until that time except for investment income earned on externally restricted endowments, for which only the amount made available for spending is recorded as revenue. In years where the investment income earned on endowments is in excess of the amount made available for spending, the excess is recorded as a direct increase of endowments. In years where the investment income earned on endowments is below the amount made available for spending, the shortfall is recorded as a direct decrease of endowments.
- Unrestricted investment income is recognized as revenue when earned.

Mortgages receivable and rebates

Mortgages receivable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Rebates payable on mortgages receivable and to Synods as defined in note 5 are accrued in the period that the related interest is earned if the amounts are known.

Capital assets

Capital assets are carried at cost less accumulated amortization. Normal repairs and maintenance are expensed as incurred. Amortization is calculated on a straight-line basis as follows:

Tangible

Furniture	10 years
Equipment	5 years
Leasehold improvements	Over the remaining lease term

Intangible

Computer database	10 years
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Contributed materials and services

Volunteers contribute a significant number of hours each year to assist ELCIC in carrying out its mission. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

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Pension plans

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.

Land held for future development

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

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 recorded at amortized cost.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at fair value and subsequently measured at cost, net of any provisions for impairment.

Allocation of expenses

ELCIC reports its expenses under various programs as detailed in the statements of operations. The costs of each program include expenses that are directly related to the program.

ELCIC also incurs general support expenses that are common to the administration of the organization and each of its programs. These costs, related to rent, telephone, insurance, audit and legal fees and office supplies, are all recorded in the Support to Ministries program expense and are not allocated to other programs.

Costs related to IT functions are all recorded under National Ministries and are also not allocated.

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The only other item related to general support expenses are salaries which are allocated between salaries and benefits and various program expense categories. These expenses are allocated to the programs proportionately based on personnel hours.

B. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements which ELCIC has prepared in accordance with Part III of the CICA Handbook – *Accounting Standards for Not-for-Profit Organizations*, which constitutes GAAP in Canada. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the years ended December 31, 2012 and 2011, or net assets as at January 1, 2011, the date of transition.

3. CREDIT FACILITY

ELCIC has a revolving line of credit in the amount of \$350,000 available through an overdraft facility on the current bank account. A general security agreement exists for the line of credit and it bears interest at the bank's prime rate. At December 31, 2012 and 2011, there was no balance outstanding on the credit facility.

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4. INVESTMENTS

The investments are held in fixed income bonds and short-term notes with TD Waterhouse Private Investment Council, in guaranteed investment certificates with TD Canada Trust and in guaranteed investment certificates and interest bearing deposit accounts with Steinbach Credit Union. The investments consist of the following:

	December 31, 2012	December 31, 2011	As at January 1, 2011
	\$	\$	\$
Fixed income			
Short-term notes	190,787	18,554	328,544
Deposit accounts	3,658,565	3,495,848	4,711,730
Fixed income bonds	10,233,087	9,059,947	8,591,416
Guaranteed investment certificates	2,741,163	2,941,163	—
Total fixed income	16,823,602	15,515,512	13,631,690

Investment income for the year consists of the following:

	2012	2011
	\$	\$
Income earned on investments held for endowment	42,625	42,443
Income on other investments	355,461	508,168
Interest on mortgages receivable <i>[note 5]</i>	265,291	277,407
Less allocation of restricted endowment income		
To be retained in endowments	(4,620)	(4,458)
Recorded within directed income for specified programs <i>[note 14]</i>	(38,005)	(37,985)
	620,752	785,575

Income on other investments is comprised of income distributions from interest earned on investments as well as cash and cash equivalents and realized and unrealized gains or losses less management fee expense.

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5. MORTGAGES RECEIVABLE

Mortgages receivable consist of funds provided to congregations and affiliated organizations of ELCIC by the CECF and the ELCIC Lutheran Investment Funds and Endowments Program ["LIFE"] to finance land acquisition, new church construction or church renovation projects. The mortgages are based on a 5-year term, issued at interest rates ranging from 3% to 6% with repayment terms amortized on average over 25 years. Provisions are made for doubtful accounts, according to the policy of each program.

A mortgage interest rebate is paid to congregations provided that all CECF mortgage repayments have been made in full and on time. For the first five years from the date of the original mortgage, the rebate is 90% of the mortgage interest paid by that congregation. Congregations with mortgages held for more than five years receive a rebate each year as follows: year 6 at 75%; year 7 at 60%; year 8 at 45%; year 9 at 30%; and year 10 at 15%. After year 10, congregations receive no mortgage interest rebate. For 2012, mortgage interest rebates were \$142,686 [2011 - \$155,201] and recorded as part of Synodical Ministries' expense.

The CECF earned income on investment balances that are invested according to the investment policy of ELCIC. The CECF Advisory Board allocates approximately 90% of the earned interest to the Synods. These funds are restricted for "Canadian Mission" initiatives at the Synodical level. The formula for allocation is based on the baptized membership of the Synods using the most recent statistical year-end report. For 2012, interest rebates to the Synods were \$185,002 [2011 - \$249,706] and recorded as part of Synodical Ministries' expense.

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NOTES TO FINANCIAL STATEMENTS

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6. CAPITAL ASSETS

	December 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Furniture	100,993	100,433	560
Equipment	469,607	452,012	17,595
Leasehold improvements	41,329	37,885	3,444
	611,929	590,330	21,599
Intangible			
Computer database	441,146	441,146	—
	1,053,075	1,031,476	21,599
	December 31, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Furniture	100,993	100,236	757
Equipment	457,580	446,040	11,540
Leasehold improvements	41,329	27,553	13,776
	599,902	573,829	26,073
Intangible			
Computer database	441,146	441,146	—
	1,041,048	1,014,975	26,073

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	As at January 1, 2011		
	Cost	Accumulated	Net
	\$	amortization	book
	\$	\$	value
	\$	\$	\$
Tangible			
Furniture	100,122	98,762	1,360
Equipment	452,416	438,285	14,131
Leasehold improvements	41,329	17,220	24,109
	<u>593,867</u>	<u>554,267</u>	<u>39,600</u>
Intangible			
Computer database	441,145	441,145	—
	<u>1,035,012</u>	<u>995,412</u>	<u>39,600</u>

7. CERTIFICATES PAYABLE

Investment certificates are issued to contributors who wish to provide funds to LIFE for the purpose of granting mortgages as described in note 5. 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 3.0% in accordance with LIFE policy or accrue interest on the original deposit balance.

	December 31,	December 31,	As at
	2012	2011	January 1,
	\$	\$	2011
	\$	\$	\$
Total certificates payable	1,685,075	1,859,195	1,912,242
Less current portion	357,777	362,766	745,919
	<u>1,327,298</u>	<u>1,496,429</u>	<u>1,166,323</u>

Estimated future principal repayments are as follows:

	\$
2013	357,777
2014	27,144
2015	674,824
2016	564,946
2017	60,384
	<u>1,685,075</u>

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8. DEFERRED CONTRIBUTIONS

Deferred contributions related to externally restricted funding received or generated in the current or prior periods to fund expenses in future periods is as follows:

	Global Ministries	National Ministries	Synodical Ministries	Canada Lutheran	ELCIC Women of Faith Fund	Total
	\$	\$	\$	\$	\$	\$
Balance, January 1, 2011	69,563	365,853	169,539	83,322	334,065	1,022,342
Amounts received during the year	10,337	426,983	12,507	80,800	1,726	532,353
Amounts recognized as revenue during the year	(28,852)	(306,935)	(19,645)	(79,666)	—	(435,098)
Balance, December 31, 2011	51,048	485,901	162,401	84,456	335,791	1,119,597
Amounts received during the year	—	282,160	1,781	69,597	6,267	359,805
Amounts recognized as revenue during the year	(22,500)	(291,710)	(26,939)	(84,456)	(38,762)	(464,367)
Balance, December 31, 2012	28,548	476,351	137,243	69,597	303,296	1,015,035

9. CONTINUING EDUCATION PLAN

ELCIC established the Continuing Education Plan ["CEP"] for employees working with congregations and agencies affiliated with the Evangelical Lutheran Church in Canada. Contributions are received from the employers at a rate of 2/3 contributed by the employer and 1/3 contributed by the employee. The funds are maintained in individual accounts for each 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.

Evangelical Lutheran Church in Canada

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Effective January 1, 2008, the CEP funds are financially administered and managed by ELCIC Group Services Inc. ["GSI"].

	December 31, 2012	December 31, 2011	As at January 1, 2011
	\$	\$	\$
Balance, beginning of year	766,618	721,625	661,529
Contributions received	229,026	234,069	210,644
Withdrawals	(202,708)	(189,076)	(150,548)
Balance, end of year	792,936	766,618	721,625

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 pension plan administered by GSI. Pension contributions by ELCIC for the year were \$58,863 [2011 - \$58,217].

ELCIC was formerly the Administrator of the Pension Plan. Under governing pension legislation, the Administrator of the Pension Plan could have potential liability for any unfunded liabilities or solvency deficiencies which may arise under the retired life component of the Pension Plan, as determined by an actuarial valuation. This liability arises only after a number of other legislated funding amounts from other sources have been exhausted. The Pension Plan's December 31, 2012 financial statements indicate an unfunded liability in the amount of nil [2011 - \$1,212,967; January 1, 2011 - \$2,716,270].

ELCIC, as an employer, had been asked to fund its proportionate share of the liability and these amounts are included in the \$58,863 [2011 - \$58,217] of contributions noted above.

The contingent liability identified in previous years has been eliminated.

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11. ENDOWMENTS

Endowments represent externally and internally restricted capital that must be maintained permanently where the income is available for various purposes. Major categories of endowments are as follows:

	December 31, 2012 \$	December 31, 2011 \$	As at January 1, 2011 \$
LIFE			
Externally restricted endowments held, restricted income	376,599	372,470	363,438
Funds restricted for endowment purposes by the National Church Council, unrestricted income	1,767,462	1,766,993	1,765,429
	<u>2,144,061</u>	<u>2,139,463</u>	<u>2,128,867</u>

By National Church Council approved resolution, 25% of undesignated bequests are allocated to the LIFE general endowment program. In 2012, the amount of undesignated bequests allocated to the LIFE general endowment program was nil [2011 - nil]. The income earned on these LIFE endowment amounts is unrestricted.

Evangelical Lutheran Church in Canada

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12. INTERNALLY RESTRICTED NET ASSETS

Internal restrictions on net assets are imposed at the discretion of the National Church Council or in accordance with existing ELCIC policies.

	December 31, 2012 \$	December 31, 2011 \$	As at January 1, 2011 \$
Operations			
Reserve funds to support specific programs	482,145	388,889	426,122
Reserve funds to support operations	747,429	747,429	747,429
	<u>1,229,574</u>	<u>1,136,318</u>	<u>1,173,551</u>
CECF			
Land held for future development	1,429,972	1,919,866	1,911,930
Equity to support mortgage financing and land acquisition	13,878,639	12,612,807	12,566,329
	<u>15,308,611</u>	<u>14,532,673</u>	<u>14,478,259</u>
LIFE			
Equity to support annuities	51,490	63,606	151,081
Equity to support mortgage financing	1,644,065	1,615,475	1,528,480
Equity to support Global Mission loans	15,205	27,905	40,805
	<u>1,710,760</u>	<u>1,706,986</u>	<u>1,720,366</u>
	<u>18,248,945</u>	<u>17,375,977</u>	<u>17,372,176</u>

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Internally restricted excess of revenue over expenses as summarized in the statements of changes in net assets consists of the following:

	2012	2011
	\$	\$
Operations		
Canada Lutheran	28,893	(8,773)
Convention	(31,483)	4,559
Affiliated conferences and events	81,322	(41,416)
Other program support	14,522	8,397
	<u>93,254</u>	<u>(37,233)</u>
CECF		
Net operations	53,349	54,414
Realized gain on sale of land held for future development	722,590	—
	<u>775,939</u>	<u>54,414</u>
LIFE		
Net operations	3,775	(13,380)
Excess of revenue over expenses for the year	<u>872,968</u>	<u>3,801</u>

13. SYNODS

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

	2012	2011
	\$	\$
Eastern Synod	349,000	345,500
Saskatchewan Synod	165,548	165,972
Synod of Alberta and the Territories	140,000	165,891
Manitoba/Northwestern Ontario Synod	139,346	154,000
British Columbia Synod	52,083	50,000
	<u>845,977</u>	<u>881,363</u>

Evangelical Lutheran Church in Canada

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December 31, 2012

14. DIRECTED INCOME

During the year, ELCIC recognized directed income as follows:

	2012	2011
	\$	\$
Operations		
Global Ministries		
Global Missions	174,380	258,333
National Ministries		
Colleges and church schools	3,745	4,000
Worship	7,740	8,599
Compassionate Justice	183,709	165,582
Governance	—	14,670
Special Projects	19,562	—
Communications	—	2,920
Information technology	7,660	6,244
Synodical Ministries		
Youth	255	2,838
Stewardship	3,983	4,040
Leadership	16,055	17,828
	<u>417,089</u>	<u>485,054</u>
CECF		
Synod consultant fees	3,346	2,500
National initiatives	17,019	21,426
LIFE		
ELCIC Women of Faith Fund	38,812	16,177
	<u>476,266</u>	<u>525,157</u>

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15. EXPENSES

[a] Program and administration expenses are categorized as follows:

- Global Ministries include Global Mission program costs, Partner Churches, the Companion Synod Program and missionary staff costs.
- National Ministries include the National Church Council, audit and legal fees, Conference of Bishops, special projects for the National Implementation and the Future of Theological Education task forces, bursary support to colleges and church schools, worship, compassionate justice, communications, information technology and travel.
- Synodical Ministries include Canadian mission, leadership, stewardship, and youth.
- Support to Ministries includes office and administration expenses including rent, telephones, and insurance.
- Partnerships include Lutheran as well as ecumenical relationships. Lutheran relationships include the Lutheran World Federation and Lutheran Council in Canada. Ecumenical relationships include the Joint Anglican/Lutheran Commission as well as relations with other denominations.
- Canada Lutheran includes expenses and staff costs for producing the magazine of ELCIC. The Canada Lutheran is self-funded through subscriptions and advertising revenue.
- Convention includes expenses for the biennial national convention and the convention is self-funded through registration fees and sponsorships.
- Affiliated Conferences and Events include the Canadian Lutheran Anglican Youth Gathering, the National Worship Conference, the Diaconal Event, the National Youth Project and the Cora Martinson Memorial Fund. These conferences and events are self-funded by registration fees and other conference and event revenue.

[b] Total cost for staff salaries and benefits for the national office employees included in the various program expense categories for the year was \$742,810 [2011 - \$760,334]. In 2012, \$600,035 [2011 - \$586,218] of salaries appear under salaries and benefits with the balance of \$142,775 [2011 - \$151,306] allocated to Canada Lutheran and nil [2011 - \$22,810] to Convention.

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16. CONTINGENCIES AND COMMITMENTS

[a] Loan guarantees

LutherCare Communities

By agreement dated December 1976, ELCIC granted LutherCare Communities [Lutheran Sunset Home of Saskatoon] the right to purchase a Saskatoon block of land for nominal consideration until May 2077. As the title to this land remains in the name of ELCIC, ELCIC appears as a guarantor of certain mortgage loans that have been granted to LutherCare Communities. ELCIC's exposure, by way of loan principal balance owing as of March 31, was as follows:

	2012	2011
	\$	\$
CMHC Ref #15410136 - 10.369% due 10/01/2028	2,959,135	3,024,344
CMHC Ref #19410089 - 4.42% due 02/01/2017	1,992,052	2,148,790

The term of the guarantees on the mortgage loan extends until the due date of the respective debt.

All guarantees can be exercised in the event of default by the guaranteed party. No carrying amount is recorded for the guarantee obligations in the financial statements. There are no recourse provisions or assets held as collateral to enable recovery of any amounts paid by ELCIC under the guarantees.

[b] Operating lease

On March 31, 1998, ELCIC entered into a 10-year lease for its own Winnipeg office requirements and that of certain of its affiliated entities. The lease was renewed for a further five-year term from March 2008 to April 30, 2013. The lease commitment for the remainder of the term is estimated to be \$57,113.

Subsequent to year-end, ELCIC entered into a new lease at a new location, effective at the expiry of the current lease. The annual minimum payments under this operating lease are \$38,425 in 2013 and \$57,637 annually thereafter until 2023.

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17. RELATED PARTY TRANSACTIONS AND CONTROLLED INTEREST

ELCIC is the sole member of GSI. GSI is incorporated under the Corporations Act (Manitoba) as a not-for-profit organization and falls under paragraph 149(1)(1) of the Income Tax Act (Canada). Pursuant to certain terms outlined in its Articles of Incorporation, GSI's operations are restricted to assist ELCIC and other entities associated with ELCIC by administering the Pension Plan and facilitating the provision of employment benefit programs and services to such entities for their employees. ELCIC appoints the members of GSI's Board of Directors.

GSI has not been consolidated in ELCIC's financial statements. Financial summaries of this unconsolidated entity as at December 31, 2012 and 2011 and for the years then ended, which do not include the assets or obligations of the Pension Plan, are as follows:

ELCIC Group Services Inc.

	2012	2011
	\$	\$
Financial position		
Total assets	1,560,488	1,439,977
Total liabilities	259,865	520,795
Total net assets	1,300,623	919,182
Results of operations		
Total revenue	1,327,434	1,059,086
Total expenses	945,993	1,103,932
Excess of revenue over expenses (expenses over revenue) for the year	381,441	(44,846)
Cash flows		
Cash provided by (used in) operating activities	(5,041)	316,046
Cash provided by (used in) investing and financing activities	(2,857)	3,201
Net increase (decrease) in cash	(7,898)	319,247

Included in total assets above is \$99,819 [2011 - \$119,156] of restricted cash expected to be required to satisfy the remaining obligation on employment benefit commitments.

In addition, GSI is the current Administrator of the Pension Plan and has disclosed that the contingent obligation for the unfunded liability no longer exists in the retired life portion of the

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Pension Plan. As at December 31, 2012, no amounts were accrued in GSI's financial statements for the contingent obligation as the contingent liability identified in prior years has been eliminated [note 10].

18. FINANCIAL INSTRUMENTS

ELCIC is exposed to various financial risks through transactions in financial instruments.

Currency risk

ELCIC is exposed to foreign currency risk with respect to its 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 currencies against the Canadian dollar.

Credit risk

ELCIC is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

ELCIC is exposed to interest rate risk with respect to its investments in fixed income investments because the fair value will fluctuate due to changes in market interest rates.

Other price risk

ELCIC is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities.

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19. SUBSEQUENT EVENTS

On January 7, 2013, a sale was completed on a parcel of land originally held for future development by a congregation, but subsequently deemed as excess. The proceeds on sale were \$547,759, which included a \$50,000 non-refundable deposit received and recorded in the December 31, 2012 financial statements. Accordingly, the consideration received subsequent to December 31, 2012 was \$497,759. At December 31, 2012, the land was recorded at its carrying value of \$252,427, which is net of the \$50,000 deposit received.

The disposal of the land and applicable gain on sale will be included in the December 31, 2013 financial statements.

