

**BRITISH COLUMBIA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH
IN CANADA**

FINANCIAL STATEMENTS

30 JUNE 2018

**BRITISH COLUMBIA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN CANADA**
Financial Statements
For the Year Ended 30 June 2018

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INDEPENDENT AUDITORS' REPORT

To the Synod Council of the British Columbia Synod
of the Evangelical Lutheran Church in Canada,

Report on the Financial Statements

We have audited the accompanying financial statements of the British Columbia Synod of the Evangelical Lutheran Church in Canada (the "Synod"), which comprise the statement of financial position as at 30 June 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit 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 auditor considers 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.



INDEPENDENT AUDITORS' REPORT - Continued

Basis for Qualified Opinion

In common with charitable organizations, the Synod derives a portion of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Synod and we are not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses and net assets.

Note 2(d) describes the amortization policy with respect to the Synod's capital assets. With respect to the amortization policy on its building, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The effect of this departure from accounting standards for not-for-profit organizations is the amortization expense is understated by \$2,434 for the year ended 30 June 2018 (2017 - \$9,411), and capital assets and net assets are overstated by \$11,058 as at 30 June 2018 (2017 - \$45,986).

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the British Columbia Synod of the Evangelical Lutheran Church in Canada as at 30 June 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
1 November 2018

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Statement of Financial Position
30 June 2018

	2018	2017
Assets		
Current		
Cash	\$ 65,397	\$ 281,677
GST receivable	3,509	1,599
Synod Mission Support receivable	75,536	28,304
Other receivable	2,200	-
Prepaid expenses and advances	6,038	12,646
	152,680	324,226
Investments in life insurance policies (Note 4)	1	1
Lutheran Theological Seminary (Note 5)	1	1
Investments (Note 6)	471,298	73,406
Property held for sale (Note 2(d))	623,520	-
Tangible capital assets (Note 7)	2,085,503	3,142,759
	\$ 3,333,003	\$ 3,540,393
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 56,169	\$ 37,425
Synod Mission Support (Note 8)	2,968	5,011
	59,137	42,436
Deferred Contributions		
Expenses of future periods (Note 9(a))	223,271	206,865
Purchase of tangible capital assets (Note 9(b))	1,645	1,902
	224,916	208,767
Commitments (Note 13)		
Net Assets		
Invested in tangible capital assets (Note 10(a))	2,707,378	3,140,857
Internally restricted (Note 11)	30,356	33,823
Externally restricted endowment (Note 12)	40,000	40,000
Unrestricted	271,216	74,510
	3,048,950	3,289,190
	\$ 3,333,003	\$ 3,540,393

Approved on behalf of the Synod Council:

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**

**Statement of Operations
For the Year Ended 30 June 2018**

	2018 Budget (unaudited)	2018	2017
Revenues			
Regular Synod Mission Support	\$ 315,000	\$ 326,870	\$ 312,057
Special gifts to Synod	-	23,982	211,541
Canadian missions	-	-	800
Synod Mission Support (Note 8)	-	159,077	162,167
Interest and other income	40,000	12,923	17,328
Deferred contribution revenue (Note 9)	50,000	101,114	92,563
Net rental income - Schedule 1	27,500	21,407	14,424
	<u>432,500</u>	<u>645,373</u>	<u>810,880</u>
Expenses			
General and administrative expenses - Schedule 2	259,700	364,029	244,673
Synod Mission Support (Note 8)	-	159,077	162,167
Deferred contribution expenditure (Note 9)	-	24,183	22,608
Regular Synod Mission Support:			
National Church Mission	58,650	58,650	58,650
Synod Property, UEL Vancouver		-	24,068
Mission through the Synod:			
Congregational support missions	10,000	10,000	10,000
Canadian Missions committee	2,000	677	1,056
CTEL	4,000	1,209	3,756
Communication	7,500	6,336	5,836
Region and Dean's expense	2,500	489	390
Convention (Note 11)	-	(8,111)	1,181
Examining committee	1,000	541	325
Faith and Society	1,500	211	4
Campus Ministry	2,000	-	1,500
Lutheran Theological Seminary	50,000	50,441	50,000
Oliver Ministry	4,000	4,275	4,167
Pastors study (recovery) (Note 11)	-	10,390	(5,098)
Missional renewal			
- missional grant (Note 9)	80,000	76,931	69,955
- Canadian Missions (Note 11)	-	1,188	(5,197)
Specialized Ministry	350	-	-
Stewardship	500	-	-
Worship committee	1,500	1,505	-
Youth committee	1,500	817	655
Miscellaneous	400	2,984	685
Loss from property sale (Note 7)	-	119,203	-
	<u>487,100</u>	<u>885,025</u>	<u>651,381</u>
Excess (deficiency) of revenues over expenses before amortization	(54,600)	(239,652)	159,499
Amortization of tangible capital assets	-	(845)	(1,113)
Amortization of deferred contributions (Note 9)	-	257	304
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenses for the year	\$ (54,600)	\$ (240,240)	\$ 158,690

The accompanying notes are an integral part of these financial statements.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Statement of Changes in Net Assets
For the Year Ended 30 June 2018

	Invested in tangible capital assets (Note 10)	Internally restricted (Note 11)	Externally restricted (Note 12)	Unrestricted	2018	2017
Balance - beginning of year	\$ 3,140,857	\$ 33,823	\$ 40,000	\$ 74,510	\$ 3,289,190	\$ 3,130,500
Excess (deficiency) of revenues over expenses for the year	(119,791)	(3,467)	-	(116,982)	(240,240)	158,690
Net addition / disposal to capital assets	(313,688)			313,688	-	-
Transfer	-	-	-	-	-	-
Balance - end of year	\$ 2,707,378	\$ 30,356	\$ 40,000	\$ 271,216	\$ 3,048,950	\$ 3,289,190

The accompanying notes are an integral part of these financial statements.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**

**Statement of Cash Flows
For the Year Ended 30 June 2018**

	2018	2017
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (240,240)	\$ 158,690
Items not involving cash		
Amortization of tangible capital assets	845	1,113
Amortization of deferred contributions - purchase of capital assets	(257)	(304)
Loss on disposal of tangible capital assets	119,203	-
	(120,449)	159,499
Changes in non-cash working capital balances		
GST receivable	(1,910)	1,098
Synod Mission Support receivable	(47,232)	10,093
Other receivable	(2,200)	-
Prepaid expenses and advances	6,608	253
Accounts payable and accrued liabilities	18,744	(49,730)
Synod Mission Support	(2,043)	320
	(148,482)	121,533
Investing activities		
Purchase of tangible capital assets	(19,577)	-
Proceeds from disposal of property	333,265	
Investments	(397,892)	(2,762)
	(84,204)	(2,762)
Financing activities		
Increase (decrease) in deferred contributions related to expenses of future periods	16,406	(1,097)
	16,406	(1,097)
Net increase (decrease) in cash for the year	(216,280)	117,674
Cash - beginning of year	281,677	164,003
Cash - end of year	\$ 65,397	\$ 281,677

The accompanying notes are an integral part of these financial statements.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

1. Organization

The British Columbia Synod of the Evangelical Lutheran Church in Canada (the “Synod”) is incorporated under the Societies Act of British Columbia and is a member of the Evangelical Lutheran Church of Canada. The Synod is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Synod has affiliations with the following organizations:

(a) Member Congregations

The Synod is comprised of 48 independent member congregations located in British Columbia. It provides assistance for the development of Ministry and Missions on behalf of these congregations.

(b) Evangelical Lutheran Church in Canada

The Synod, along with four other synods, form the Evangelical Lutheran Church in Canada. The Synod forwards a discretionary portion of its receipts designated for Synod Mission Support to the Evangelical Lutheran Church in Canada.

(c) Lutheran Student Foundation of B.C.

The Synod has the right to appoint all of the directors of The Lutheran Student Foundation of B.C. (“Foundation”), a separate legal entity which previously owned the Lutheran Campus Centre on the University of British Columbia (“UBC”) endowment lands. In 2003 the Synod purchased the property from the Foundation and on 11 February 2015, legal title to the property was transferred to the Synod. Prior to this date, the legal title was held by the Foundation. All of the financial activity of the Foundation is detailed in Note 9 (Deferred Contributions) under Lutheran Student Foundation (committee funds).

(d) Lutheran Theological Seminary

The Board of Governors of the Lutheran Theological Seminary holds the property in Saskatoon, Saskatchewan in trust for the Synods of British Columbia, Alberta and Territories, Saskatchewan, and Manitoba-Northwest Ontario.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

2. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Financial Instruments

i Measurement of Financial Instruments

The Synod initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, advances, and amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Synod's financial assets measured at fair market value include investments.

ii. Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

iii. Transaction Costs

The Synod recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(b) Cash and Cash Equivalents

The Synod's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from cash and cash equivalents.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

2. Summary of Significant Accounting Policies - continued

(c) Revenue Recognition

The Synod follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount 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.

Contributions received from endowments have been externally restricted by the donor to be maintained by the Synod on a permanent basis. The original contribution and income earned can only be used for the purpose specified by the endowment.

Contributions restricted for the purchase of tangible capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related tangible capital assets. Contributions of tangible capital assets that will not be amortized are recognized as an increase to net assets.

(d) Property Held for Sale

Property held for sale is comprised of land and building of the Synod property, University Endowment Lands in Vancouver, is recorded at the lower of cost, being cost plus annual holding costs, and net realizable value.

(e) Tangible Capital Assets

The following tangible capital assets are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Furniture and equipment	20%	declining balance
Computer equipment	30%	declining balance
Vestments	10%	declining balance
Building	Not amortized. Prior to 1 July 2012 amortized at 4% declining balance	

Repairs and maintenance costs are charged to expense and betterments which extend the estimated life of an asset are capitalized.

(f) Contributed Assets

Contributed assets are recorded at fair value at the date of contribution if the amount is readily determinable. There were no contributed assets during the year.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

2. Summary of Significant Accounting Policies - continued

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from those estimates.

3. Restrictions on Cash and Term Deposit

The Synod has received contributions that have been designated by the donor for specific purposes, either for expenses of future periods or for capital assets. In addition, the Synod Council has restricted net assets as available only for those purposes outlined in Note 11. The deferred contributions, internally restricted and externally restricted net assets are comprised of the following:

	2018	2017
Deferred contributions - expenses of future periods (Note 9(a))	\$ 223,271	\$ 206,865
Internally restricted net assets (Note 11)	30,356	33,823
Externally restricted net assets (Note 12)	40,000	40,000
	\$ 293,627	\$ 280,688

The cash required to fund these commitments has not been segregated from general cash and must come from the cash in the statement of financial position and from other sources as needed.

4. Investment in Life Insurance Policies

The Synod owns the beneficial rights of a dividend term life insurance policy with no cash surrender value and has recorded the policy at a nominal amount of \$1.

5. Lutheran Theological Seminary

The Board of Governors of Lutheran Theological Seminary, Saskatoon, Saskatchewan, controls and manages the seminary and determines its academic and administrative affairs. The property of the seminary, both real and personal, is held by the Board of Governors in trust for and under the guidance of the Synods of British Columbia, Alberta and Territories, Saskatchewan, and Manitoba-Northwest Ontario. This asset has been recorded at a nominal value of \$1.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

6. Investments

Investments are comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents with broker	\$ 2,567	\$ 2,216
Fixed income securities	426,814	28,974
Equities	41,917	42,216
Total investments	<u>\$ 471,298</u>	<u>\$ 73,406</u>

Of the above investments, \$40,000 represents externally restricted net assets and \$30,000 represents the Synod Endowment Fund deferred contribution.

7. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2018</u>	<u>2017</u>
Land	\$ 2,012,670	\$ -	\$ 2,012,670	\$ 2,866,713
Building	69,483	-	69,483	271,851
Furniture and equipment	62,584	61,464	1,120	1,400
Computer equipment	19,557	18,558	999	1,427
Vestments	8,200	6,969	1,231	1,368
	<u>\$ 2,172,494</u>	<u>\$ 86,991</u>	<u>\$ 2,085,503</u>	<u>\$ 3,142,759</u>

When a tangible capital asset no longer contributes to the services provided by the Synod, its carrying amount is written down to its residual value.

During the year, the Oliver property has been sold for net proceeds of \$333,265, resulting in a loss of \$119,203 from the net book value of \$452,468 that was transferred into the Synod's books when it was contributed.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

7. Tangible Capital Assets - continued

In 2014, the Faith Evangelical Lutheran Church of Burnaby, BC (the “FELC”) contributed land and building to the Synod constituting a 57% interest in the property. The Vancouver Chinese Lutheran Church (the “VCLC”) holds the remaining 43% interest. The 57% interest in the land and building was registered with the Synod on 4 April 2014. The Synod’s interest has been recorded in the financial statements at its fair market value of \$2,082,153. Before the land and building was contributed by the FELC, the organization filed for dissolution with the BC Registry Services and was dissolved on 28 December 2011. In addition, the FELC failed to correctly file documents for dissolution with the Canada Revenue Agency (the “CRA”). Subsequently, the FELC filed its 2011 charity return with the CRA and reported the land and building as its capital assets instead of reporting them as being disposed to the Synod before the dissolution date of 28 December 2011. The CRA revoked the FELC’s charity status on 20 April 2012 and has taken the position that the disposition of land and building had not yet taken place. As the land and building were disposed of after the FELC’s charity status was revoked, the CRA has assessed a revocation tax of \$85,499 for the disposition of assets. The Synod, as the registered owner of the 57% interest in the land and building, would be potentially liable for this revocation tax. The Synod, on behalf of the dissolved organization FELC, has submitted to the CRA an amended 2011 charity return and notice of objection in relation to the revocation tax. Management is of the opinion that the CRA will accept the amended charity return and ultimately reverse their original assessment. Management has further determined that the liability for the revocation tax is not likely and the amount has therefore not been recorded in the financial statements. As of the audit report date the CRA has not yet processed the notice of objection.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

8. Synod Mission Support

The Synod collects funds from member congregations for designated projects and forwards these funds to the Evangelical Lutheran Church in Canada, in Winnipeg or to the designated societies.

	2018	2017
Opening balance - unexpended funds	\$ 5,011	\$ 4,691
Contributions received	157,034	162,487
Remittances made		
Designated funds	19,729	17,426
Undesignated	1,648	2,995
CLWR	111,888	104,584
Compassionate Justice Fund	1,200	863
Lutheran Theological Seminary (Saskatoon)	500	925
Surrey Urban Mission	24,112	35,374
Total congregational support to other than Synod work	159,077	162,167
Ending balance - unexpended funds	\$ 2,968	\$ 5,011

At the year end, \$159,077 (2017 - \$162,167) was remitted and \$2,968 (2017 - \$5,011) remains to be remitted.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

9. Deferred Contributions

The Synod receives contributions designated for specific purposes, either for an expense of a future period or for a capital asset purchase.

(a) Expenses of Future Periods

The deferred contributions related to expenses of future periods are designated for specific purposes as follows:

	Opening Balance	2018 Contributions	2018 Expenditures	Transfers	Closing Balance
Church extension and capital fund (missional grant)	\$ 57,793	\$ 52,669	\$ 76,931	\$ 25,000	\$ 58,531
Church extension and capital fund	36,671	54,618	9,620	(15,000)	66,669
Compassionate Justice Funds	12,887	-	3,977	-	8,910
Confirmation camp	6,271	5,400	3,490	-	8,181
ELCIC national convention	1,975	-	-	-	1,975
Lower Mainland conference	567	-	-	-	567
Lutheran Student Foundation (committee funds)	2,230	-	2,230	-	-
Lutheran Urban Mission Society Fund	11,678	-	-	-	11,678
Ministry support	30	75	105	-	-
Missional Learning Resource Fund	9,094	110	-	-	9,204
Northern region	219	730	200	-	749
Stewardship Resource Fund	20,987	-	-	(10,000)	10,987
Student aid and endowment funds	5,421	163	-	-	5,584
Synod Committee, special projects	10,093	1,870	1,956	-	10,007
Synod Endowment Fund	30,000	-	-	-	30,000
Youth events	949	286	1,006	-	229
	<u>\$206,865</u>	<u>\$ 115,921</u>	<u>\$ 99,515</u>	<u>\$ -</u>	<u>\$223,271</u>
Add: prepaid expense			1,599		
Total deferred contribution revenue and expense			<u>\$ 101,114</u>		
Expense classification					
Renewal and redevelopment					
- mission grant			\$ 76,931		
- Canadian missions			24,183		
			<u>\$ 101,114</u>		

The transfers above represent expenditures of exceeded contributions and are being funded by internally restricted funds.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

9. Deferred Contributions - continued

- (a) Expenses of Future Periods - continued

When the Synod uses the funds for the designated purpose, the contribution is recognized as revenue and the related expenditure is recorded as an expense.

- (b) Purchase of Tangible Capital Assets

Deferred contributions related to purchase tangible capital assets are the unspent amount of donations received plus any unamortized amount of contributions already spent. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance - beginning of year	\$ 1,902	\$ 2,206
Amortization	(257)	(304)
Balance - end of year	\$ 1,645	\$ 1,902

10. Investment in Tangible Capital Assets

- (a) Investment in tangible capital assets is calculated as follows:

	2018	2017
Capital assets - net book value	\$ 2,085,503	\$ 3,142,759
Property held for sale	623,520	-
Deferred contributions - purchase of capital assets	(1,645)	(1,902)
	\$ 2,707,378	\$ 3,140,857

- (b) Revenues and expenses reflected in change in net assets invested in tangible capital assets is calculated as follows:

	2018	2017
Amortization of tangible capital assets	\$ (845)	\$ (1,113)
Amortization of deferred contributions related to tangible capital assets	257	304
	\$ (588)	\$ (809)

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2018

11. Internally Restricted Net Assets

These internally restricted amounts are not available for other purposes without approval by the Synod Council.

	Convention	Canadian Missions	Pastors Study	Capital Asset Contingency	Synod Property, UEL Development	2018	2017
Balance - beginning of year	\$ (589)	\$ (346)	\$ 12,559	\$ 21,267	\$ 932	\$ 33,823	\$ 48,777
Revenues	35,793	225	11,850	-	-	47,868	22,342
Expenses	(27,682)	(1,413)	(22,240)	-	-	(51,335)	(37,296)
Excess (deficiency) of revenues over expenses for the year	8,111	(1,188)	(10,390)	-	-	(3,467)	(14,954)
Balance - end of year	\$ 7,522	\$ (1,534)	\$ 2,169	\$ 21,267	\$ 932	\$ 30,356	\$ 33,823

The revenues (expenses) for the amounts funded from internally restricted net assets are recorded in the following expenses in the statement of operations:

Convention -	convention
Canadian missions -	renewal and redevelopment
Pastors study -	pastor study (recovery)
Synod Property, UEL Development -	University lands development

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
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Notes to the Financial Statements
For the Year Ended 30 June 2018

12. Externally Restricted Endowment

In fiscal 2012, the Synod received a \$40,000 endowment from the Faith Evangelical Lutheran Church. The income earned on the monies are to be used for Synod mission development. The principal can only be used for the purpose of undertaking Evangelical Lutheran Church in Canada missions redevelopment in North Burnaby, B.C. The Synod has not yet determined whether mission redevelopment will be undertaken as at the year end.

13. Commitments

The Synod has an annual rental agreement with the Mount Zion Lutheran Church for its premises. The annual commitment remaining on this agreement is \$9,084.

14. Pension Plan

The Synod participates in a defined contribution multi-employer pension plan (the “Plan”) administered by the Evangelical Lutheran Church of Canada Group Services (“GSI”). The Synod and employees make monthly contributions to the Plan into a members accumulation account (“MMA”) and only the Synod makes a contribution to a retirement benefit account (“RBA”). Beginning 1 January 2013, the Synod is no longer required to make contributions to the RBA as the plan has been fully funded. The contribution is based on an annually determined contribution rate on the member’s salary.

The Synod contributes 8% (2017 - 8%) and employees contribute 7% (2017 - 7%) to the MMA.

Pension plan expenses for the year ended 30 June 2018 amounted to \$21,850 (2017 - \$18,615).

15. Financial Instruments

The Synod is exposed to various risks through its financial instruments. The following analysis provides a measure of the Synod’s risk exposure and concentrations at the statement of financial position date, 30 June 2018:

(a) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Synod is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Synod manages liquidity risk by maintaining adequate cash. There has been no change to the risk exposure from prior year.

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(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Synod is mainly exposed to interest rate risk and other price risk.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Synod is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Synod to a fair value risk.

(d) Other Price Risk

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

16. Remuneration of Directors, Employers and Contractors

For the fiscal year ended 30 June 2018, the Synod had one employee with remuneration in excess of \$75,000. The total amount of said employee's remuneration was \$97,895 and is included in salaries and wages, and employee benefits. The directors of the Synod did not receive any remuneration during the 2018 fiscal year.

17. Subsequent Events

The Synod has undertaken to sell the Kensington (North Burnaby) property, which has a carrying cost of \$2,082,153 and the University Endowment Lands property, which has a carrying cost of \$623,520, and subsequent to year end sales arrangements have been made for each property, however, the agreements have not yet been finalized but are expected to close in the 2019 fiscal year.

18. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

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Schedule 1 - Rental Income and Expenses

For the Year Ended 30 June 2018

	2018 Budget (unaudited)		2018		2017
Rental income					
North Burnaby Lutheran Centre	\$ 42,000	\$	42,105	\$	42,105
Oliver Lutheran Centre	8,000		5,100		6,540
	<u>50,000</u>		47,205		<u>48,645</u>
Rental expenses					
North Burnaby Lutheran Centre	17,500		22,472		32,240
Oliver Lutheran Centre	5,000		3,326		1,981
	<u>22,500</u>		25,798		<u>34,221</u>
Net rental income for the year	\$ 27,500	\$	21,407	\$	14,424

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Schedule 2 - General and Administrative Expenses

For the Year Ended 30 June 2018

	2018 Budget (unaudited)		2018		2017
Missions through administration					
Bishop discretionary	\$ 2,500	\$	1,655	\$	3,202
Computer expenses	2,600		2,086		1,886
Employee benefits	46,500		41,335		41,556
GST expense	4,000		5,646		2,102
Office and equipment rent	18,000		18,212		17,151
Office supplies and printing	1,500		1,345		1,257
Postage	700		423		342
Professional fees and insurance	23,000				
Audit and accounting	-		34,334		20,224
Insurance	-		4,677		4,454
Legal - General	-		19,449		2,594
Legal - North Burnaby property	-		79,482		-
Salaries and wages	129,600		118,565		115,204
Synod Council	12,000		13,021		12,995
Synod travel	11,500		14,406		13,570
Telephone and fax	3,600		3,706		3,297
Training	500		1,250		497
Utilities and cleaning	3,700		4,437		4,342
	\$ 259,700	\$	364,029	\$	244,673