

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

FINANCIAL STATEMENTS

30 JUNE 2019

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

Financial Statements

For the Year Ended 30 June 2019

Contents

Independent Auditors' Report	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 18
Schedule 1 - Rental Income and Expenses	19
Schedule 2 - General and Administrative Expenses	20



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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 Audit of the Financial Statements

Qualified Opinion

We have audited the 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 2019, and the statement of operations, changes in net assets and 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying 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 2019, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Synod derives a portion of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Synod. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended 30 June 2019 and 30 June 2018, current assets as at 30 June 2019 and 30 June 2018, and net assets as at 1 July and 30 June for both the 2019 and 2018 years.

Our audit opinion on the financial statements for the year ended 30 June 2018 was modified accordingly because of the possible effects of this limitation in scope.

Note 2(e) describes the amortization policy with respect to the Synod's tangible 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 Canadian accounting standards for not-for-profit organizations is the gain from property sale which is understated by \$11,058 for the year ended 30 June 2019 (2018 - \$Nil), amortization expense is understated by \$Nil for the year ended 30 June 2019 (2018 - \$2,434), capital assets is overstated by \$Nil for the year ended 30 June 2019 (2018 - \$11,058), and net assets are overstated by \$Nil for the year ended 30 June 2019 (2018 - \$11,058).



INDEPENDENT AUDITORS' REPORT - continued

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Those charged with governance are responsible for overseeing the Synod's financial reporting process.

Auditors' 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 auditors' 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.



INDEPENDENT AUDITORS' REPORT - continued

- 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 auditors' 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 auditors' 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 those charged with governance 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.

Report on Other Legal and Regulatory Requirements

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

Rolfe, Benson LLP

Chartered Professional Accountants

Vancouver, BC
24 October 2019

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

30 June 2019

	2019	2018
		(Note 18)
Assets		
Current		
Cash	\$ 247,713	\$ 65,397
GST receivable	11,494	3,509
Synod Mission Support receivable	71,491	75,536
Other receivable	-	2,200
Prepaid expenses and advances	6,038	6,038
	336,736	152,680
Investments in life insurance policies (Note 4)	1	1
Lutheran Theological Seminary (Note 5)	1	1
Investments (Note 6)	4,545,283	471,298
Property held for sale (Note 2(d))	645,914	623,520
Tangible capital assets (Note 7)	6,542	2,085,503
	\$ 5,534,477	\$ 3,333,003
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 58,175	\$ 57,485
Synod Mission Support (Note 8)	18,142	2,968
	76,317	60,453
Deferred Contributions		
Expenses of future periods (Note 9(a))	206,847	221,955
Purchase of tangible capital assets (Note 9(b))	1,427	1,645
	208,274	223,600
Commitments (Note 13)		
Net Assets		
Invested in tangible capital assets (Note 10(a))	651,029	2,707,378
Internally restricted (Note 11)	209,433	30,356
Externally restricted endowment (Note 12)	40,000	40,000
Unrestricted	4,349,424	271,216
	5,249,886	3,048,950
	\$ 5,534,477	\$ 3,333,003

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 2019**

	2019 Budget (unaudited)	2019	2018
Revenues			
Regular Synod Mission Support	\$ 315,000	\$ 313,415	\$ 326,870
Special gifts to Synod	-	192,733	23,982
Synod Mission Support (Note 8)	-	146,459	159,077
Interest and other income	149,800	313,906	12,923
Deferred contribution revenue (Note 9)	112,000	130,339	101,114
Gain from property sale (Note 7)	-	1,971,880	-
Net rental income - Schedule 1	15,000	4,896	21,407
	<u>591,800</u>	<u>3,073,628</u>	<u>645,373</u>
Expenses			
General and administrative expenses - Schedule 2	365,300	313,050	364,029
Synod Mission Support (Note 8)	-	146,459	159,077
Taxes paid for FELC (Note 7)	-	85,499	-
Deferred contribution expenditure (Note 9)	-	48,124	24,183
Regular Synod Mission Support:			
National Church Mission	58,650	58,650	58,650
Synod Property, UEL Vancouver	10,000	-	-
Synod wide conversation	33,000	43,349	
Mission through the Synod:			
Congregational support missions	20,000	10,000	10,000
Canadian Missions committee	2,000	1,012	677
CTEL	3,000	2,796	1,209
Communication	11,500	7,730	6,336
Region and Dean's expense	5,000	1,164	489
Convention (Note 11)	-	3,628	(8,111)
Examining committee	750	612	541
Faith and Society	1,000	100	211
Campus Ministry	2,000	(670)	-
Lutheran Theological Seminary	50,000	60,294	50,441
Oliver Ministry	4,000	-	4,275
Pastors study (recovery) (Note 11)	10,000	(5,232)	10,390
Missional renewal			
- missional grant (Note 9)	13,000	82,215	76,931
- Canadian Missions (Note 11)	-	1,707	1,188
Worship committee	1,000	-	1,505
Youth committee	1,200	-	817
Miscellaneous	400	11,226	2,984
Loss from property sale	-	-	119,203
	<u>591,800</u>	<u>871,713</u>	<u>885,025</u>
Excess (deficiency) of revenues over expenses before amortization	-	2,201,915	(239,652)
Amortization of tangible capital assets	-	(1,197)	(845)
Amortization of deferred contributions (Note 9)	-	218	257
	<u>-</u>	<u>2,200,936</u>	<u>(240,240)</u>
Excess (deficiency) of revenues over expenses for the year	\$ -	\$ 2,200,936	\$ (240,240)

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 2019

	Invested in tangible capital assets	Internally restricted	Externally restricted	Unrestricted	2019	2018
	(Note 10)	(Note 11)	(Note 12)			
Balance - beginning of year	\$ 2,707,378	\$ 30,356	\$ 40,000	\$ 271,216	\$ 3,048,950	\$ 3,289,190
Excess (deficiency) of revenues over expenses for the year	1,970,901	(1,246)	-	231,281	2,200,936	(240,240)
Net addition / disposal to capital assets	26,783	-	-	(26,783)	-	-
Transfer of proceeds from property sale	(4,054,033)	-	-	4,054,033	-	-
Transfer (Note 11)	-	180,323	-	(180,323)	-	-
Balance - end of year	\$ 651,029	\$ 209,433	\$ 40,000	\$ 4,349,424	\$ 5,249,886	\$ 3,048,950

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 2019**

	2019	2018
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 2,200,936	\$ (240,240)
Items not involving cash		
Amortization of tangible capital assets	1,197	845
Amortization of deferred contributions - purchase of capital assets	(218)	(257)
(Gain) loss on disposal of tangible capital assets	<u>(1,971,880)</u>	<u>119,203</u>
	230,035	(120,449)
Changes in non-cash working capital balances		
GST receivable	(7,985)	(1,910)
Synod Mission Support receivable	4,045	(47,232)
Other receivable	2,200	(2,200)
Prepaid expenses and advances	-	6,608
Accounts payable and accrued liabilities	690	18,744
Synod Mission Support	<u>15,174</u>	<u>(2,043)</u>
	244,159	(148,482)
Investing activities		
Purchase of tangible capital assets	(4,389)	-
Additions to property held for sale	(22,394)	(19,577)
Net proceeds from disposal of property	4,054,033	333,265
Investments	<u>(4,073,985)</u>	<u>(397,892)</u>
	(46,735)	(84,204)
Financing activities		
Increase (decrease) in deferred contributions related to expenses of future periods - net	<u>(15,108)</u>	<u>16,406</u>
Net increase (decrease) in cash for the year	182,316	(216,280)
Cash - beginning of year	<u>65,397</u>	<u>281,677</u>
Cash - end of year	\$ 247,713	\$ 65,397

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 2019

1. Organization

The British Columbia Synod of the Evangelical Lutheran Church in Canada (the “Synod”) is incorporated under the Societies Act (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. The Lutheran Campus Centre property was sold subsequent to the fiscal year end (Note 17).

(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 2019

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 2019

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 (Note 17)

Property held for sale 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 2019

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.

(h) Impairment of long-lived assets

The Synod tests long-lived assets for impairment when events or changes in circumstances indicate that their carrying value may not be recovered. When a tangible or intangible capital asset no longer contributes to the services provided by the Synod, its carrying amount is written down to its residual value. No impairment losses were determined by management to be necessary for the year.

3. Restrictions on Cash and Investments

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:

	2019	2018
Deferred contributions - expenses of future periods (Note 9(a))	\$ 206,847	\$ 223,271
Internally restricted net assets (Note 11)	209,433	30,356
Externally restricted net assets (Note 12)	40,000	40,000
	\$ 456,280	\$ 293,627

The cash and investments 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.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2019

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.

6. Investments

Investments are comprised of the following:

	2019	2018
Cash and cash equivalents with broker	\$ 120,907	\$ 2,567
Fixed income securities	2,275,430	426,814
Equities	2,148,946	41,917
Total investments	\$ 4,545,283	\$ 471,298

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

	Cost	Accumulated Amortization	Net Book Value	
			2019	2018
Land	\$ -	\$ -	\$ -	\$ 2,012,670
Building	-	-	-	69,483
Furniture and equipment	63,424	61,856	1,568	1,120
Computer equipment	23,106	19,240	3,866	999
Vestments	8,200	7,092	1,108	1,231
	\$ 94,730	\$ 88,188	\$ 6,542	\$ 2,085,503

During the year, the Synod's undivided 57% interest in the Kensington property was sold for net proceeds of \$4,054,033, resulting in a gain of \$1,971,880 from the net book value of \$2,082,153 that was transferred into the Synod's accounts 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 2019

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. During the 2019 year end, the revocation tax of \$85,499 was paid by the Synod to CRA. As of the audit report date the Synod is waiting for CRA’s confirmation on the closure of this case.

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.

	2019	2018
Opening balance - unexpended funds	\$ 2,968	\$ 5,011
Contributions received	161,633	157,034
Remittances made		
Designated funds	8,182	19,729
Undesignated	8,164	1,648
CLWR	109,932	111,888
Compassionate Justice Fund	-	1,200
Lutheran Theological Seminary (Saskatoon)	1,769	500
Surrey Urban Mission	18,412	24,112
Total congregational support to other than Synod work	146,459	159,077
Ending balance - unexpended funds	\$ 18,142	\$ 2,968

At the year end, \$146,459 (2018 - \$159,077) was remitted and \$18,142 (2018 - \$2,968) 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 2019

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 (Note 18)	2019 Contributions	2019 Expenditures	Transfers	Closing Balance
Church extension and capital fund (missional grant)	\$ 58,531	\$ 53,972	\$ 82,215	\$ -	\$ 30,288
Church extension and capital fund	66,669	32,013	7,566	-	91,116
Compassionate Justice Funds	8,910	3,623	12,533	-	-
Confirmation camp	8,181	3,695	3,893	-	7,983
ELCIC national convention	1,975	21,928	18,475	-	5,428
Lutheran Urban Mission Society Fund	11,678	-	-	-	11,678
Missional Learning Resource Fund	9,204	-	-	-	9,204
Stewardship Resource Fund	10,987	-	-	-	10,987
Student aid and endowment funds	5,584	-	5,584	-	-
Synod Committee, special projects	10,007	-	-	-	10,007
Synod Endowment Fund	30,000	-	-	-	30,000
Youth events	229	-	73	-	156
	<u>\$221,955</u>	<u>\$ 115,231</u>	<u>\$ 130,339</u>	<u>\$ -</u>	<u>\$206,847</u>
Expense classification					
Renewal and redevelopment					
- mission grant			\$ 82,215		
- deferred contribution expenditure			<u>48,124</u>		
			<u>\$ 130,339</u>		

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

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.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2019

9. Deferred Contributions - continued

(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.

	2019	2018
Balance - beginning of year	\$ 1,645	\$ 1,902
Amortization	(218)	(257)
Balance - end of year	\$ 1,427	\$ 1,645

10. Investment in Tangible Capital Assets

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

	2019	2018
Capital assets - net book value	\$ 6,542	\$ 2,085,503
Property held for sale	645,914	623,520
Deferred contributions - purchase of capital assets	(1,427)	(1,645)
	\$ 651,029	\$ 2,707,378

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

	2019	2018
Amortization of tangible capital assets	\$ (1,197)	\$ (845)
Amortization of deferred contributions related to tangible capital assets	218	257
	\$ (979)	\$ (588)

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2019

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	Student Aid	2019	2018
Balance - beginning of year	\$ 7,522	\$ (1,534)	\$ 2,169	\$ 21,267	\$ 932	\$ -	\$ 30,356	\$ 33,823
Revenues	25	-	18,631	-	-	-	18,656	47,868
Expenses	(3,653)	(1,707)	(13,399)	-	(932)	(211)	(19,902)	(51,335)
Excess (deficiency) of revenues over expenses for the year	(3,628)	(1,707)	5,232	-	(932)	(211)	(1,246)	(3,467)
Transfers	-	-	-	-	-	180,323	180,323	-
Balance - end of year	\$ 3,894	\$ (3,241)	\$ 7,401	\$ 21,267	\$ -	\$ 180,112	\$ 209,433	\$ 30,356

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
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2019

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 \$9,540.

14. Pension Plan

The Synod participates in a defined contribution multi-employer pension plan (the “Plan”) administered by ELCIC Group Services Inc. The Synod and employees make monthly contributions to the Plan. The contribution is based on an annually determined contribution rate on the member’s salary.

The Synod contributes 8% (2018 - 8%) and employees contribute 7% (2018 - 7%).

Pension plan expenses for the year ended 30 June 2019 amounted to \$33,850 (2018 - \$21,850).

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 2019:

(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.

**BRITISH COLUMBIA SYNOD OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA**
Notes to the Financial Statements
For the Year Ended 30 June 2019

15. Financial Instruments - continued

(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. There has been no change to the risk exposure from prior year.

(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. There has been no change to the risk exposure from prior year.

(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. There has been no change to the risk exposure from prior year.

16. Remuneration of Directors, Employers and Contractors

For the fiscal year ended 30 June 2019, the Synod had one employee with remuneration in excess of \$75,000. The total amount of said employee's remuneration was \$100,785 and is included in salaries and wages, and employee benefits. The directors of the Synod did not receive any remuneration during the 2019 fiscal year.

17. Subsequent Events

Subsequent to the year end, on 10 July 2019, the Synod sold the property at 5885 University Boulevard, Vancouver, B.C. (also known as 2076 Wesbrook Mall, Vancouver, B.C.) (Note 2(d)). The property's sale price was \$8,000,000. The property is classified as assets held for sale and has a carrying cost of \$645,914 as of 30 June 2019.

18. Comparative Figures

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

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

Schedule 1 - Rental Income and Expenses

For the Year Ended 30 June 2019

	2019 Budget (unaudited)		2019		2018
Rental income					
North Burnaby Lutheran Centre	\$ 40,000	\$	14,719	\$	42,105
Oliver Lutheran Centre	-		-		5,100
	<u>40,000</u>		<u>14,719</u>		<u>47,205</u>
Rental expenses					
North Burnaby Lutheran Centre	25,000		9,779		22,472
Oliver Lutheran Centre	-		44		3,326
	<u>25,000</u>		<u>9,823</u>		<u>25,798</u>
Net rental income for the year	<u>\$ 15,000</u>	<u>\$</u>	<u>4,896</u>	<u>\$</u>	<u>21,407</u>

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

Schedule 2 - General and Administrative Expenses

For the Year Ended 30 June 2019

	2019 Budget (unaudited)		2019		2018
Missions through administration					
Bishop discretionary	\$ 3,000	\$	2,502	\$	1,655
Computer expenses	2,100		1,515		2,086
Employee benefits	47,500		58,057		41,335
GST expense	4,000		2,341		5,646
Office and equipment rent	19,000		19,455		18,212
Office supplies and printing	1,400		2,931		1,345
Postage	350		415		423
Professional fees and insurance	26,000				
Audit and accounting	-		36,092		34,334
Insurance	-		2,195		4,677
Legal - General	-		5,240		19,449
Legal - North Burnaby property	-		5,817		79,482
Salaries and wages	223,150		121,070		118,565
Synod Council	13,000		11,674		13,021
Synod travel	18,000		30,291		14,406
Telephone and fax	3,800		4,437		3,706
Training	500		4,104		1,250
Utilities and cleaning	3,500		4,914		4,437
	\$ 365,300	\$	313,050	\$	364,029