

**ANNUAL MEMBERS MEETING**  
**NOVEMBER 21, 2020**  
**(11:00a.m-12:00p.m CST)**  
***Held via Go to webinar***

**AGENDA**

**Members' login to go to webinar (10:45 a.m.-10:55 a.m.)**

- |            |    |  |
|------------|----|--|
| 11:00 a.m. | 1. | Call to order- Arnold Drung  |
|            | 2. | Opening Prayer- President Teuscher   |
|            | 3. | Welcome Members- Arnold Drung  |
| 11:10 a.m. | 4. | Approval of Agenda   |
|            | 5. | Auditors Report and Audited Financial Statements-Dwayne Cleave/Christine Bradley |
| 11:20 a.m. | 6. | Report from Board of Directors-Arnold Drung                                      |
| 11:35 a.m. | 7. | Six -Month 2020 Financial Report-(un-audited)- <i>for information</i>            |
| 11:40 a.m. | 8. | Member Questions on Reports  |
| 12:00 p.m. | 9. | Adjournment / Closing Prayer- President Teuscher                                 |

Financial Statements of

**LUTHERAN CHURCH -  
CANADA**

And Independent Auditors' Report thereon

Year ended January 31, 2020



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Page 1

## INDEPENDENT AUDITORS' REPORT

To the Members of Lutheran Church - Canada

### ***Opinion***

We have audited the financial statements of Lutheran Church - Canada (the "Entity"), which comprise the statement of financial position as at January 31, 2020, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at January 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity 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.



- 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Winnipeg, Canada

June 25, 2020

# LUTHERAN CHURCH - CANADA

## Statement of Financial Position

January 31, 2020, with comparative information for 2019

	Operating Fund		Designated Fund		Total	Total
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current assets:						
Cash	\$ 885,459	\$ 586,479	\$ —	\$ —	\$ 885,459	\$ 586,479
Accounts receivable	412,528	134,385	—	—	412,528	134,385
Prepaid expenses	69,313	73,214	89,869	19,752	159,182	92,966
Inter-fund balances	(904,264)	(464,550)	904,264	464,550	—	—
	463,036	329,528	994,133	484,302	1,457,169	813,830
Capital assets (note 3)	457,761	476,645	—	—	457,761	476,645
Investments (note 4)	—	—	1,207,230	1,089,628	1,207,230	1,089,628
Deferred gift (note 6)	50,000	50,000	—	—	50,000	50,000
	\$ 970,797	\$ 856,173	\$ 2,201,363	\$ 1,573,930	\$ 3,172,160	\$ 2,430,103


## Liabilities, Deferred Contributions and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities	\$ 41,533	\$ 67,625	\$ —	\$ —	\$ 41,533	\$ 67,625
Payable to Lutheran Church-Canada Financial Ministries	9,732	10,049	—	—	9,732	10,049
Current portion of long-term debt (note 5)	7,188	19,844	—	—	7,188	19,844
	58,453	97,518	—	—	58,453	97,518
Long-term debt (note 5)	—	7,188	—	—	—	7,188
Deferred contributions (note 6):						
Expenses of future periods	286,650	236,790	2,030,212	1,435,928	2,316,862	1,672,718
Capital assets	68,795	73,095	—	—	68,795	73,095
Deferred gift	50,000	50,000	—	—	50,000	50,000
	405,445	359,885	2,030,212	1,435,928	2,435,657	1,795,813
Fund balances:						
Unrestricted	153,536	23,635	—	—	153,536	23,635
Invested in capital assets	353,363	367,947	—	—	353,363	367,947
Internally restricted (note 7)	—	—	171,151	138,002	171,151	138,002
	506,899	391,582	171,151	138,002	678,050	529,584
Subsequent event (note 11)						
	\$ 970,797	\$ 856,173	\$ 2,201,363	\$ 1,573,930	\$ 3,172,160	\$ 2,430,103

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# LUTHERAN CHURCH - CANADA

## Statement of Operations

Year ended January 31, 2020, with comparative information for 2019

	Operating Fund		Designated Fund		Total	Total
	2020	2019	2020	2019	2020	2019
Revenue:						
Contributions:						
Operating	\$ 3,188,014	\$ 1,428,596	\$ —	\$ —	\$ 3,188,014	\$ 1,428,596
Designated (note 6)	—	—	737,551	319,847	737,551	319,847
Canadian Lutheran	28,893	51,461	—	—	28,893	51,461
Rental	7,650	32,000	—	—	7,650	32,000
Investment income (loss)	(5,614)	583	116,110	39,911	110,496	40,494
Other	36,054	39,763	—	—	36,054	39,763
Amortization of deferred contributions related to capital assets [note 6(b)]	4,300	4,300	—	—	4,300	4,300
	3,259,297	1,556,703	853,661	359,758	4,112,958	1,916,461
Expenses:						
Administration (note 8)	532,626	414,988	—	—	532,626	414,988
Resource generation	180,000	42,500	—	—	180,000	42,500
President's office	123,374	118,188	—	—	123,374	118,188
Regional Pastors' office	428,803	46,355	—	—	428,803	46,355
Committees and boards	257,971	225,610	—	—	257,971	225,610
Higher education subsidy	292,200	272,100	—	—	292,200	272,100
International missions	271,384	246,572	—	—	271,384	246,572
Domestic missions	1,078,829	84,189	—	—	1,078,829	84,189
Other	17,742	10,917	—	—	17,742	10,917
Property operations	58,277	62,785	—	—	58,277	62,785
Designated (schedule B)	—	—	704,402	307,611	704,402	307,611
Amortization of capital assets	18,884	18,444	—	—	18,884	18,444
	3,260,090	1,542,648	704,402	307,611	3,964,492	1,850,259
Excess (deficiency) of revenue over expenses	\$ (793)	\$ 14,055	\$ 149,259	\$ 52,147	\$ 148,466	\$ 66,202

See accompanying notes to financial statements.

# LUTHERAN CHURCH - CANADA

## Statement of Changes in Fund Balances

Year ended January 31, 2020, with comparative information for 2019

	Operating Fund		Designated Fund		2020 Total	2019 Total
	Unrestricted	Invested in capital assets	Internally restricted			
Fund balance, beginning of year	\$ 23,635	\$ 367,947	\$ 138,002	\$ 529,584	\$ 463,382	
Excess (deficiency) of revenue over expenses	13,791	(14,584)	149,259	148,466	66,202	
Transfer of funds for internally restricted purposes (note 7)	116,110	—	(116,110)	—	—	
Fund balance, end of year	\$ 153,536	\$ 353,363	\$ 171,151	\$ 678,050	\$ 529,584	

See accompanying notes to financial statements.



# LUTHERAN CHURCH - CANADA

## Statement of Cash Flows

Year ended January 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 148,466	\$ 66,202
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(4,300)	(4,300)
Amortization of capital assets	18,884	18,444
Unrealized loss (gain) on investments	(75,932)	6,555
Change in non-cash operating working capital:		
Accounts receivable	(278,143)	218,521
Prepaid expenses	(66,216)	(7,289)
Accounts payable and accrued liabilities	(26,092)	(45,787)
Payable to/receivable from Lutheran Church - Canada Financial Ministries	(317)	11,144
Net change in deferred contributions related to expenses of future periods	644,144	319,901
	360,494	583,391
Financing activities:		
Principal repayments of long-term debt	(19,844)	(18,972)
Investing activities:		
Purchase of capital assets	—	(35,604)
Change in investments, net	(41,670)	(177,194)
	(41,670)	(212,798)
Increase in cash	298,980	351,621
Cash, beginning of year	586,479	234,858
Cash, end of year	\$ 885,459	\$ 586,479

See accompanying notes to financial statements.

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements

Year ended January 31, 2020

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## 1. General:

Lutheran Church - Canada (the "Church") was incorporated by a special act of Canada assented on June 4, 1959. The Church is also registered as a charitable organization under the *Income Tax Act*. The purpose of the Church is to assist congregations and pastors to conserve and promote the unity of faith, carry out their mission and ministry, and exercise certain functions which can be more efficiently and effectively performed together nationally and internationally.

The Church is exempt from income tax under Section 149(1) of the *Income Tax Act*.

## 2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

### (a) Change in accounting policies:

Effective February 1, 2019, the Church adopted the new handbook section, Section 4433, *Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, *Property, Plant and Equipment*, in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, the new section requires an entity to componentize capital assets when estimates can be made of the useful lives of the separate components. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

There was no impact to the financial statements of the Church from the adoption of these accounting standards.

### (b) Revenue recognition:

The Church follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

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## 2. Significant accounting policies (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue of the Designated Fund in the year in which the related expenses are incurred. Internally restricted and unrestricted investment income is recognized as revenue when earned. Investment income includes interest income and realized and unrealized investment gains and losses.

Non-cash contributions are recorded at fair value on the date of contribution.

### (c) Fund accounting:

The Church records its financial transactions on the Fund accounting basis as follows:

#### (i) Operating Fund:

The Operating Fund includes transactions related to the general operations of the Church and includes all capital assets of the Church.

#### (ii) Designated Fund:

The Designated Fund includes transactions relating to monies received by the Church which have purposes specified by the donor or have been designated for specific purposes by the Board of Directors. Expenditures from monies designated for specific purposes by the Board of Directors require approval of the Board.

### (d) Contributed services:

Volunteers are an integral part of the activities of the Church. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

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## 2. Significant accounting policies (continued):

### (e) Financial Instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Church has elected to carry all investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Church determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Church expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Capital assets:

Land is recorded at cost. Building and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at rates estimated to amortize the assets over their useful lives. The amortization rate applicable to the building is 40 years, and 5 and 10 years for equipment.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When circumstances indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-down of the asset is charged to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

## 2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

## 3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 100,000	\$ —	\$ 100,000	\$ 100,000
Building	675,980	334,336	341,644	358,544
Equipment	60,684	44,567	16,117	18,101
	<b>\$ 836,664</b>	<b>\$ 378,903</b>	<b>\$ 457,761</b>	<b>\$ 476,645</b>

## 4. Investments:

	2020	2019
	Carrying value	Carrying value
Pooled funds:		
Fixed income	\$ 512,271	\$ 467,805
Canadian equities	278,403	239,210
International equities	283,583	258,699
Mortgage investment fund	132,973	123,914
	<b>\$ 1,207,230</b>	<b>\$ 1,089,628</b>

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

## 5. Long-term debt:

	2020	2019
Note payable to Lutheran Church - Central Canada, District Extension Fund, interest at 4.5% per annum, payable at \$1,721 monthly including principal and interest, due November 5, 2020, unsecured	\$ 7,188	\$ 27,032
Less current portion	7,188	19,844
	\$ —	\$ 7,188

The Church has a revolving demand credit facility with a maximum limit of \$100,000. The credit facility bears interest at prime rate plus 0.75 percent. The facility is unsecured. At January 31, 2020 and 2019, the Church has not utilized this facility.

During the year ended January 31, 2020, the Church was charged interest of \$811 (2019 - \$1,682) on the note payable to Lutheran Church - Central District Extension Fund.

## 6. Deferred contributions:

### (a) Expenses of future periods:

Deferred contributions related to expenses of future periods are externally restricted contributions that have been received and relate to expenses to be incurred in subsequent years. Changes in deferred contributions related to expenses of future periods are as follows:

	2020	2019
Balance, beginning of year	\$ 1,672,718	\$ 1,352,817
Contributions received or receivable	1,595,539	672,444
Investment income on unspent portion	1,493	1,517
Amount recognized as designated revenue	(496,975)	(296,535)
Amount recognized as specific purpose revenue	—	(5,342)
Amount recognized as operating revenue	(455,913)	(52,183)
Balance, end of year	\$ 2,316,862	\$ 1,672,718

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

## 6. Deferred contributions (continued):

The balance of deferred contributions related to expenses of future periods consists of the following:

	2020	2019
Designated fund:		
Higher education	\$ 172,420	\$ 174,364
Moving fund	8,974	–
Home missions	10,830	14,202
Stewardship initiative	36,424	36,424
World missions	1,291,761	1,148,234
Youth Gatherings	12,168	54,229
Conferences	88,805	8,475
Synod Convention	408,830	–
	2,030,212	1,435,928
Operating fund:		
Domestic missions	286,650	236,790
	\$ 2,316,862	\$ 1,672,718

### (b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded as revenue in the statement of operations. Changes in deferred contributions related to capital assets are as follows:

	2020	2019
Balance, beginning of year	\$ 73,095	\$ 77,395
Amount amortized to revenue	4,300	4,300
Balance, end of year	\$ 68,795	\$ 73,095

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

## 7. Fund balance - Designated Fund:

### (a) Deferred gift:

Deferred gift represents the death benefit amount of life insurance policy to which the Church is both the owner and the named beneficiary. The death benefit amount is recorded as an asset and a deferred contribution on the statement of financial position until it is realized at the time of death.

The internally restricted fund balance of the Designated Fund is comprised of the following:

	2020	2019
National Youth Gathering	\$ 32,295	\$ 30,000
AIC Scholarship Interest	48,800	42,214
PAT Program	67,059	64,980
Conference	22,189	—
Other	808	808
	<u>\$ 171,151</u>	<u>\$ 138,002</u>

During fiscal 2020, the Board of Directors approved a transfer of \$116,110 (2019 - \$30,875) from the Designated Fund internally restricted fund balance to the Operating Fund unrestricted fund balance.

## 8. Related parties:

### (a) Lutheran Church - Canada Financial Ministries:

Lutheran Church - Canada Financial Ministries (LCCFM) is a corporation without share capital, whose member is the Church. LCCFM sources, manages, and distributes donor funding to assist the Church and various other entities who have accepted the principles, doctrines, and religious standards of the Church. LCCFM is exempt from income tax under Section 149(1) of the *Income Tax Act*.

Included in expenditures of the Church for the year ended January 31, 2020 are contributions of \$180,000 (2019 - \$42,500) paid to LCCFM for gift coordinator support.



# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

## 8. Related parties (continued):

LCCFM has not been consolidated in the Church's financial statements. The summary financial information of LCCFM as at and for the year ended December 31, 2019 is as follows:

	2019	2018
<i>Financial position:</i>		
Total assets	\$ 10,067,649	\$ 8,193,115
Total liabilities and deferred contributions	\$ 3,263,784	\$ 1,180,353
Total net assets	7,003,865	7,012,762
	\$ 10,267,649	\$ 8,193,115
<i>Results of operations:</i>		
Total revenue	\$ 1,420,228	\$ 823,432
Total expenses	1,429,125	1,142,557
Deficiency of revenue over expenses	\$ (8,897)	\$ (319,125)
<i>Cash flows:</i>		
From (used in) operating activities	\$ 1,837,023	\$ (447,672)
From (used in) investing activities	(1,801,457)	511,424
Increase in cash	\$ 35,566	\$ 63,752

### (b) Related party transactions:

During the year, the Church charged rent of \$7,500 (2019 - \$30,000) and an administration fee of \$12,000 (2019 - \$12,000) to LCC Worker Benefit Services Inc. The Church also charged an administration fee of \$18,000 (2019 - \$18,000) to Lutheran Church - Canada Pension Plan. The Church is the sponsor of Lutheran Church - Canada Defined Benefit Pension Plan.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

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## 9. Employee pension plan:

Employees of the Church hired prior to January 1, 2012 are members of the Lutheran Church - Canada Defined Benefit Pension Plan (the "Plan"), which was established on January 1, 1989 as a non-contributory defined benefit pension plan. The Plan covers the employees of the various entities associated with Lutheran Church-Canada. Effective January 1, 2013, the Plan became a contributory plan for all future service and all members who are still eligible to accrue credited service in the Plan are required to make annual contributions of 4 percent of their compensation. Employees of the Church who are not eligible to accrue credited service in the Plan were enrolled into a contributory defined contribution pension plan from January 1, 2013 onwards. These applicable Plan members will not earn any further service benefits under the Plan after January 1, 2013. The applicable Plan members' pre-January 1, 2013 pension benefit will continue growing within the Plan through future salary increases. The applicable Plan members are required to make annual contributions of 4 percent of their compensation to the defined contribution pension plan.

The most recent funding actuarial valuation of the Plan as at December 31, 2017, reported the Plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations and a solvency deficiency. At the forbearance of the Province of Alberta Superintendent of Pensions, the Plan is currently not required to fully fund the solvency deficiency within the amortization periods stipulated in the Act, but rather on a best efforts basis.

The Church is one of the employers in the Plan and its contributions to the Plan and the defined contribution pension plan during the year amounted to \$158,080 (2019 - \$76,772).

## 10. Financial risks:

### (a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Church is exposed to credit risk with respect to the accounts receivable. The Church assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There is no allowance for doubtful accounts related to accounts receivable at January 31, 2020 (2019 - nil). There have been no other risk exposure changes from 2019.

# LUTHERAN CHURCH - CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

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## 10. Financial risks (continued):

### (b) Liquidity risk:

Liquidity risk is the risk that the Church will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Church manages its liquidity risk by monitoring its operating requirements. The Church prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

### (c) Interest rate risk:

The Church is exposed to interest rate risk on its fixed rate financial instruments such as fixed rate investments and long-term debt. Further details about the fixed rate investments are included in note 4. Fixed-rate instruments subjects the Church to a fair value risk. The Church is exposed to this type of risk as a result of investments in bonds. The Church has appropriate guidelines on the weighting and duration of bonds and other fixed rate investments which are monitored by the Board of Directors. There has been no change to the risk exposures from 2019.

### (d) Other price risk:

Other price risk is the risk that fair value of a financial instrument will fluctuate because of changes in market prices. The Church is exposed to other price risks with respect to the investments which are sensitive to market fluctuations. The Church has appropriate guidelines on where funds are invested which are monitored by the Board of Directors. There has been no change to the risk exposure from 2019.

## 11. Subsequent events:

Subsequent to January 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Church is not known at this time.

## 12. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

# LUTHERAN CHURCH - CANADA

## Operating Fund Revenue and Expenses

Year ended January 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Contributions:		
Regions - unrestricted	\$ 2,231,240	\$ 1,219,676
Specified purpose	956,774	208,920
Canadian Lutheran	28,893	51,461
Rental	7,650	32,000
Investment income (loss)	(5,614)	583
Other	36,054	39,763
Amortization of deferred contributions related to capital assets	4,300	4,300
	3,259,297	1,556,703
Expenses:		
Administration	532,626	414,988
Resource generation	180,000	42,500
President's Office	123,374	118,188
Regional Pastor's Office	428,803	46,355
Committees and boards:		
Directors	42,071	13,068
Communications	164,469	165,996
Missions	17,989	15,021
President's Ministry Council	6,484	7,512
RMMC	5,590	5,767
Circuit Counsellors	13,312	-
Commissions	7,526	17,715
Archives and history	530	531
	257,971	225,610
Property operations:		
Utilities	16,546	13,819
Repairs and maintenance	15,467	22,557
Interest	811	1,682
Property taxes	16,431	16,207
Janitorial	9,022	8,520
	58,277	62,785
Other	17,742	10,917
Contributions:		
Higher education subsidy	292,200	272,100
International missions	271,384	246,572
Domestic missions	1,078,829	84,189
	1,642,413	602,861
Amortization of capital assets	18,884	18,444
	3,260,090	1,542,648
Excess (deficiency) of revenue over expenses - Operating Fund	\$ (793)	\$ 14,055

# LUTHERAN CHURCH - CANADA

Designated Fund  
Revenue and Expenses

Year ended January 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Contributions:		
International missions	\$ 429,035	\$ 285,911
Other	21,404	33,936
National Youth Gathering	201,696	—
Conferences	85,416	—
Investment income	116,110	39,911
	<u>853,661</u>	<u>359,758</u>
Expenses:		
Scholarships	7,500	—
International missions	429,035	285,911
Other	5,236	20,882
National Youth Gathering	199,402	—
Conferences	63,229	—
Synod Restructuring	—	818
	<u>704,402</u>	<u>307,611</u>
Excess of revenue over expenses - Designated Fund	\$ 149,259	\$ 52,147

## **ANNUAL MEMBERS MEETING NOVEMBER 21, 2020**

### **REPORT OF THE BOARD OF DIRECTORS**

The past 12 months have presented both joys and challenges. While the world around us would appear chaotic and full of constant surprises and change, Lutheran Church–Canada maintains its mission of proclaiming the Good News of salvation in Jesus Christ who is “the same yesterday, and today and forever (Heb 13:8).

The focus of this report is how LCC’s eleven-member Board of Directors, executive staff, regional pastors, and office staff have worked together in service to members of LCC.

#### **1. Covid-19**

The global pandemic declared on March 11, 2020 created unprecedented challenges to our member congregations, pastors, deacons, the Synod, and to the lives of every Canadian.

Starting in early March and extending into late June most of our congregations could not hold in-person worship services, and even if they could attendance capacity was reduced. A letter sent on March 18 by President Teuscher to LCC member congregations advised them to temporarily suspend public worship services. The rationale for his advice focused primarily on the Fourth and Fifth Commandments:

*First, the Fourth Commandment deals with the obedience we owe the governing authorities whom God has placed over us for our good and welfare. Since the federal, provincial, and various local governments have issued statements urging and requesting the closure of large group events, including worship services, we are bound to obey those directives*

*Second, the Fifth Commandment tells us, as the Small Catechism put it, “that we do not hurt or harm our neighbor in his body, but help and support him and every physical need.” We all thus need to be mindful of the various protocols issued by the Public Health Agency of Canada – reducing contact with others, social distancing, proper hygiene practices, and the like.*

We are grateful to God that approximately 20% of our congregations prior to the pandemic were providing livestream or recorded services to their shut-in members enabling them to respond quickly by offering online worship services to all their members when in-person worship was suspended. Incredibly, within a few weeks many more congregations offered such services. Beyond online services, we have heard stories of pastors meeting by phone with individuals and small groups to

preach sermons and pray with their members when internet technology was not an option. Some pastors and congregations with larger memberships also temporarily increased the frequency of in-person worship services during the week to accommodate smaller gatherings for their members when the capacity limits per service were restricted to 25 or less or even 10 or less.

We give thanks to God for the dedicated work of our pastors and lay leaders in caring for their congregations during a challenging time

In response to the pandemic challenges Lutheran Church–Canada’s staff took creative action to assist our congregations, congregation members, and pastors by:

- Preparing weekly written sermons posted to LCC Website (ongoing)
- Recording and posting virtual worship services
- Identifying and posting home worship and devotional materials (ongoing)
- Providing tutoring by our Communication Director for pastors and congregational leaders on properly recording and uploading virtual worship services.
- Enabling online giving through LCC’s website donation portal so that members could financially support their home congregation when public worship services were suspended.
- Communicating with congregations on the availability/criteria for applying for government support programs such as the Canada Emergency Wage Subsidy (CEWS). The subsidy’s purpose is to provide businesses (including registered charities) with funds toward their salary costs at a time when revenues (donations) have decreased due to the pandemic. The government recently announced that the CEWS program will be in place until June 2021.

## **2. Board Meetings**

In light of the pandemic the Board has not held any in-person meetings in 2020 but has conducted five virtual meetings and has one remaining in November.

The following summary highlights the main activities of the Board of Directors as it managed the affairs of LCC during the current year. Material is organized by Board meeting. (Note that “standard” components to Board meetings including review of staff reports, financial reports, correspondence and follow-up items are not included in these comments.)

### **February 4, 2020**

Mission remittances from congregations to Lutheran Church–Canada have been in decline for a number of years, which is jeopardizing Word and Sacrament ministry continuing in some existing communities. As a result, we have become more dependent on external funding sources to maintain support for domestic and international missions. In recent years the Central and East Districts have offset some of this revenue shortfall from their reserve funds. These funds, however, will likely be depleted within the next few years. We are also most grateful to Concordia Lutheran Mission Society (CLMS), the Schwann Foundation, Lutheran Women’s Missionary League–Canada (LWML-C),

Canadian Lutheran World Relief (CLWR), and individual members for providing much needed direct support for our international missions. However, we understand that these organizations also face challenges raising funds from a decreasing donor base and therefore may not be able to continue supporting LCC at the same level.

The Board determined that, in order to maintain a confessional Lutheran presence for present and future generations and to reach out with the Gospel to new Canadians, we will need an additional \$500,000 above the current \$2.26 million that congregations currently provide to support our existing mission programs. We believe the best option for achieving that goal is to carry out a comprehensive capital campaign to establish a mission and ministry endowment fund in the area of \$10-15 million. An endowment fund of that size could potentially produce an annual distribution of \$400,000—\$500,000 to support Word and Sacrament ministry and outreach efforts throughout our Synod.

With this background the Board passed the following motion:

*The LCC Board of Directors sanctions a feasibility study being conducted to determine what amount of financial resources could be raised to support the future work of synod, focused in the area of domestic mission. The LCC Board also endorses the use of a designated fund identified as **Stewardship Initiative** to pay for the cost of the feasibility study (\$37,000 plus HST).*

Shortly after this meeting the World Health Organization declared the pandemic and as result a feasibility study has not yet been initiated. The Board however is continuing to evaluate proposals from firms who conduct this type of study.

### **March 25, 2020**

The meeting discussion and theme was primarily focused on LCC's emergency response plan to the pandemic including:

- safety and care of staff
- cash-flow forecast
- contingency plan for funding operations for the forthcoming three months
- exploring specific actions to assist congregations.

LCC responded quickly with:

- on-line (live stream and recorded) worship and devotional services
- Written sermons and other devotional material resources.



- online donation portal to provide congregation members with the option supporting their home congregation. Donors received their charitable receipts from LCC and LCC distributed the receipted gifts to the home congregations.
- Key personnel (President, Regional Pastors, Administrator, Mission Executive, Communications Director and office staff) met online weekly to address issues/needs arising from the field during the rapidly evolving situation.

#### **April 15, 2020**

The Board approved the 2020-21 Lutheran Church–Canada Budget of \$3,305,217.

There was considerable discussion about the scheduled 2021 Synod Convention and what steps were needed if the in-person convention had to be postponed or held online because of the pandemic. The Board asked the Commission on Constitutional Matters and Structure (CCMS) and LCC’s legal counsel to review the LCC Handbook and the Canada Not-for-Profit Corporations Act (CNCA) to determine what options were permissible and report back with their findings by the June meeting

#### **June 25-26, 2020**

##### ***Convention***

The CCMS informed the Board that:

- a) the LCC Handbook did not explicitly state that the convention could not be held virtually.
- b) The CNCA did not prohibit the use of electronic means for conducting an Annual Meeting (Convention).
- c) to postpone the scheduled convention beyond a four-year period would require an amendment to Statutory Bylaw 9.01. Changes to statutory bylaws require the approval of members and could only be facilitated through a Special Convention.
- d)

Upon careful review of the pros and cons of three available options – virtual convention, hybrid convention, and in-person — along with understanding that beyond the need to conduct business the Handbook states “*the Convention shall afford an opportunity for worship, nurture, inspiration, fellowship, and the communication of vital information*” the Board passed the following two motions:

1. *That the Lutheran Church–Canada Board of Directors call a Special Convention, electronically, in 2020 to amend Section 9.01 of the Statutory Bylaws to deal with timing of conventions in extraordinary circumstances.*

2. *The Special Convention will take place via digital platform on Saturday, October 17, 2020, 12:00 PM CDT and will include one business item*

### **External Audit**

The Accounting Manager reported a clean audit for the fiscal year ending January 31, 2020. The auditor reported there were no significant changes in accounting policies. The auditor also stated that subsequent to the end of the fiscal year, January 31, 2020, the WHO declared the COVID-19 a pandemic and that the situation was dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on LCC was not known at the time of the auditor's report.

*The Board of Directors passed a motion to receive and approve the Corporation's Financial Statements prepared by management and audited by KPMG.*

### **Mission Funding**

The Board expressed its deep appreciation to Lutheran Layman's League of Canada (LLL-C) for the auxiliary's decision to support our French ministry in Quebec with \$50,000 per year for the next three years.

### **September 17, 2020**

The Board passed the following motion:

*To reappoint Lois Griffin from the East Region as LCC's representative to the Canadian Lutheran World Relief Board of Directors for a final three-year term.*

The Administrator advised the Board about the need for LCC to conduct Annual Member Meetings in the years between Conventions. Although LCC was incorporated under its own Special Act there are some aspects of the CNCA that apply to Special Act corporations, the most relevant being Annual Member Meetings. At the next Convention LCC will need to change the statutory bylaws to accommodate Annual Member meetings.

It was subsequently decided that the most convenient time to hold the 2020 Annual Meeting would be in conjunction with the scheduled November Board meeting. The Board then passed a motion

*To schedule the Annual Members Meeting of Lutheran Church Canada by electronic means for 11:00 a.m. CST on Saturday November 21, 2020. The agenda business to include the Independent auditors report and accompanying audited financial statements, and the report of the Board of Directors.*

### **Special Convention – October 17, 2020**

Convention delegates voted almost unanimously in favour of two resolutions:

#### **RESOLUTION 20.1.01 (October 17, 2020)**

TO AMEND STATUTORY BYLAW 9.01 OF THE 2017  
HANDBOOK OF LUTHERAN CHURCH–CANADA

#### **RESOLUTION 20.1.02 (October 17, 2020)**

TO EXTEND THE TERMS OF OFFICE OF ELECTED OFFICERS, BOARDS, COMMISSIONS, AND COMMITTEES

### **Conclusion**

The members of LCC's Board of Directors are humbled that God has placed us in this calling at this particular time to serve His people in Lutheran Church–Canada. We solicit your prayers for wisdom and guidance and thank you for your continuing support of the mission work we do together in Canada and around the world.

Your Servants in Christ,



Arnold Drung, Chairman  
LCC Board of Directors



Grace Henderson, Secretary  
LCC Board of Directors



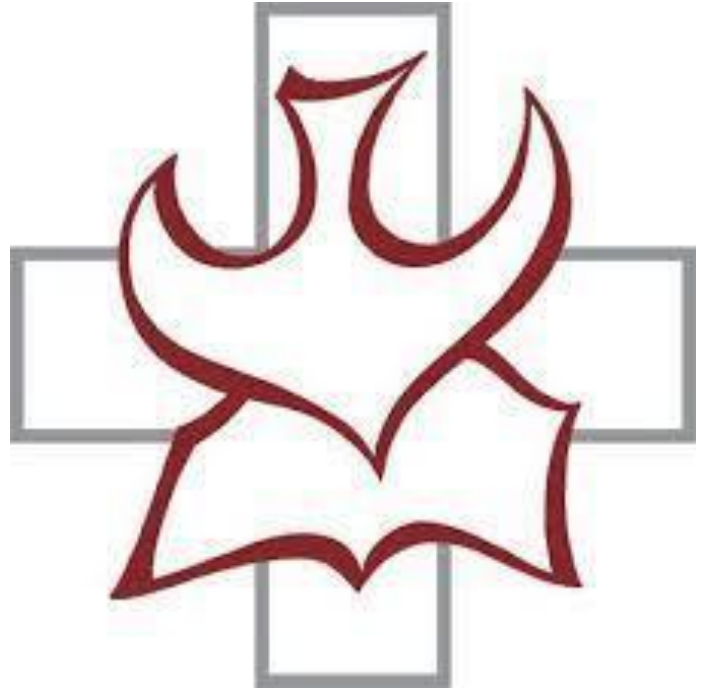
# LCC SIX MONTH 2020 FINANCIAL REPORT

## OUR MISSION

The mission of Lutheran Church-Canada is to organize, equip, and motivate its members to confess, proclaim, and give witness to the saving work of Jesus Christ, to the glory of God. We do this together in grateful response to God's grace and empowered by the Holy Spirit through Word and Sacraments, so that believers may grow in their faith and unbelievers be brought into the body of Christ.

## WALKING TOGETHER AS A SYNOD

Committed to a common confession and mission, congregations of Lutheran Church-Canada join with one another as a Synod to share an ecclesiastical bond and to support and work with one another. In this way, we seek to serve our Lord Jesus Christ, the members of His body, and the world which stands in need of the Word and the impact of His redeeming love.



## PUTTING OUR MISSION INTO ACTION

Our work together as a Synod can only be accomplished with the generous financial support of our members. Through your tithes and offerings, a portion of all gifts laid upon the altar of local congregations is remitted to LCC. In total, these gifts make up almost 68% of LCC's overall revenue and are critical for funding the vital work we do together. Work such as:

### **Sustaining and Revitalizing our Congregations**

The strength of synod begins with the strength of our local congregations. Together we support and maintain Word and Sacrament ministry across our country, and especially in regions of greatest need. **(Schedule A).**

### **Supporting our Mission Work in Canada**

Identify, develop and support mission efforts throughout the country; assist congregations to explore new opportunities for outreach; and provide works of mercy and relief to those less fortunate. **(Schedule B)**

### **Supporting our Mission Work Internationally**

Support mission work in Central America, South-East Asia, and Ukraine, including Gospel outreach; theological training; and social ministry efforts like children's feeding programs and Christian education.

### **Supporting Theological Education**

Provide funding to assist the work of our seminaries in training our pastors and church workers. **(Schedule D)**

### **Caring for our Leaders and Members**

Provide ecclesiastical leadership and pastoral care through the work of the Synod President, Regional Pastors, and Circuit Counsellors.

### **Building Community**

Collaborate with Synod's members and partners to enhance mission effectiveness through communication, promote stewardship in managing life's resources for God's purposes, and provide spiritual growth through the publication of *The Canadian Lutheran* and other media.

WORKING TOGETHER

# BUDGET AND ACTUAL REVENUES/EXPENSES

Six Month Fiscal Period (February –July 2020)

Revenues	6 Month Budget	6 Month Actual	Variance	2019 6 Month Actual
Congregation Remittances	1,030,000	863,844	(166,156)	957,870
Designated Specific	580,460	566,780	(13,680)	564,510
Endowment Income	20,000	0.00	(20,000)	0
Investment Income	17,600	(56,160)	(73,760)	58,570
Rental Income	4,650	3,900	(750)	3,750
<b>Total Revenues</b>	<b>1,652,710</b>	<b>1,378,364</b>	<b>(274,346)</b>	<b>1,584,700</b>
Expenditures	6 Month Budget	6 Month Actual	Variance	2019 6 Month Actual
Domestic Missions	433,315	385,785	47,530	566,450
International Missions	317,668	333,364	(15,692)	343,250
Ecclesiastical Services	291,385	277,546	13,839	305,615
Higher Education	146,000	136,050	9,950	143,550
Communications	94,825	87,502	7,323	84,835
Congregational Services	83,500	77,000	6,500	90,000
Administration	285,689	261,563	24,126	342,420
<b>Total Expenditures</b>	<b>1,652,382</b>	<b>1,558,810</b>	<b>93,576</b>	<b>1,876,120</b>
<b>Surplus (Deficit)*</b>	<b>328</b>	<b>(180,446)</b>		<b>(291,420)</b>

**\*Surplus/ (Deficit)** – The current operating deficit of **(\$180,446)** is not as large as the **(\$291, 420)** deficit LCC was experiencing over the same six month period in 2019. It is important to mention however, that very positive mission remittances from congregations late last year enabled LCC to finish 2019 in a surplus position. We pray that the Lord may Bless LCC and its' member Congregations with similar results in 2020.

## REVIEWING THE 2020 ANNUAL BUDGET

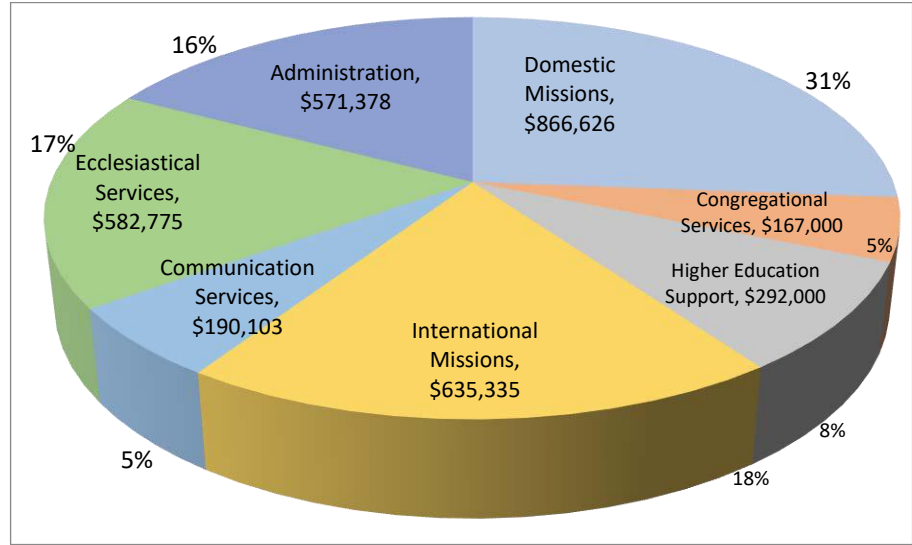
*"So I thought it necessary to urge the brothers to go on ahead to you and arrange in advance for the gift you have promised, so that it may be ready as a willing gift, not as an exaction." 2 Corinthians 9:5*

Creating an operating budget for 2020 during a time of a global pandemic was, without a doubt, quite a challenge. As it was difficult to predict what the financial impact would be on the economy, on financial markets, and most importantly, on our congregations

There are currently 286 LCC member congregations who have the potential to support the work we do together as a synod. Prior to the outbreak of the coronavirus, LCC had received mission pledges from 160 congregations totalling \$1,745,000. Our prayer is that the 160 congregations who submitted a pledge, together with the 126 that did not submit a pledge, will be able to send mission remittances to the level needed to accomplish the important work of our church body.

Revenues	Budget 2020
Congregation Remittances	2,060,000
Specific Purpose	1,160,920
Endowment Income	40,000
Investment Income	35,200
Rental Income	9,300
<b>Total Revenues</b>	<b>3,305,420</b>
Expenditures	Budget 2020
Domestic Missions	866,626
International Missions	635,335
Ecclesiastical Services	582,775
Higher Education	292,000
Communications	190,103
Congregational Services	167,000
Administration	571,378
<b>Total Expenditures</b>	<b>3,305,217</b>

# LCC 2020 ANNUAL BUDGET - \$3,305,217



*“Make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, teaching them to observe all that I have commanded you. And behold, I am with you always to the end of the age”  
Matthew 28:19-20*

## OUR HOPE IS IN THE LORD

Although finances change, the mission of the LCC remains clear and unwavering. This is so because Christ's ascension commission and promise remains unchanged regardless of the tumultuous and uncertain times in which we live. As such, LCC continues, with your help and support, to carry out our common objectives of conserving and promoting the unity of the true faith; strengthening congregations in giving bold witness by word and deed and to extend that Gospel witness into all the world; training of pastors and deacons; and aiding congregations by providing resources for promoting, expressing and conserving our confessional unity. Thank you for your prayers and offerings in support of this work that we have committed to do in our walking together as a Synod.



**SCHEDULE A- YEAR 2020**  
**SUSTAINING WORD AND SACRAMENT MINISTRY**

<b>Congregation</b>	<b>Location</b>
Holy Trinity	Bradford
Concordia	Fonthill
Our Saviour	Kingston
Our Saviour	London
Our Saviour	Niagara Falls
Redeemer	Kitimat
Good Shepherd	Moncton
Redeemer	Prince Albert
St. John	Snyder
Ont Tri- parish	Southampton
Redeemer	Sudbury
Christ	Timmins
Trinity Church of the Deaf	Vancouver
Zion	Wolseley

**SCHEDULE B-YEAR 2020**  
**SUPPORTING MISSION OUTREACH**

<b>Congregation</b>	<b>Location</b>	<b>Outreach Focus</b>
St. Andrews	Halifax	Maritimes
Pilgrim	Hamilton	Oromo Congregation/Community
Concordia	Penticton	Parochial School
LCC Missionary	Quebec	French Language Ministry
Trinity	Richmond	Chinese Congregation/Community
Faith	Surrey	Chinese/Korean Congregation /Community
Korean LC	Toronto	Korean Congregation/Community
BC Mission Boat	Vancouver Island	Aboriginal Communities – VBS Programs
West Region	West Region	Minor Outreach Grants- Congregations/Circuits
LCC Missionary	Winnipeg	Oromo Congregation/ Community

<b>WORKS OF MERCY</b>		
LCC Missionary	Regina	Street Ministry
Lutheran Community Care Centre	Thunder Bay	Street Ministry