



*Evangelical Lutheran
Foundation of Eastern Canada*

Annual Report Fiscal Year 2009

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Report of Directors

I am pleased to present this report on behalf of the ELFEC board of directors. Since our Annual General Meeting occurs so late in the year, I will offer comments on both 2009 and 2010 to date. It should also be noted that Keith Myra was president of ELFEC for 11 months in 2009. Although my name is on this report, credit for leadership of the organization during 2009 should go to Keith.

The board has been in the habit of meeting monthly through this period. We had ten meetings in 2009 and six so far in 2010, with the expectation of at least one more meeting this year. I would like to express my personal thanks to all of the directors, who have been diligent in their attendance at meetings and thorough in their oversight of the affairs of the foundation.

Policy development

The board's main business over the past two years has been the development, review and implementation of policies. The table below lists the policies that have been adopted, and in some cases revised, through this period. These are in addition to those adopted in 2007 and 2008.

POLICY NAME	DATE ADOPTED	CURRENT REVISION DATE
Administrative Fees	23 Feb 2009	23 Feb 2009
Confidentiality	26 Jan 2009	26 May 2010
Conflict of Interest	23 Mar 2009	23 Mar 2009
Director Responsibilities	23 Feb 2009	23 Feb 2009
Disbursement	22 Jul 2009	22 Jul 2009
Eastern Synod Disbursement	22 Jun 2009	22 Jun 2009
Financial Accountability	26 Jan 2009	26 Jan 2009
Funds, Fund Types and Criteria for Naming	23 Mar 2009	22 Apr 2010

We began a thorough review of the investment policy in 2009, and discussed it at many meetings over the next year. We expect a revised version to be completed before the end of 2010. It will form the basis of a request for proposal (RFP) when we take the investment management contract to market in accordance with our policy.

The board also adopted templates for the managed fund agreement and endowed fund agreement. These agreements are used to define the terms and conditions of our relationship with investment partners.

Investment management

One of the primary responsibilities of the ELFEC board is the monitoring and supervision of the decisions made by the investment manager. Through this period we have continued to use the RaeLipskie Partnership (RLP) to manage the foundation's portfolio of investments. Two of the principals of RLP have met with the board on three occasions during year to review portfolio performance and compliance with the investment policy. Through focused discussions, the board has gained a better understanding of the economic and market forces that influence the manager's decisions.

Investment partners

ELFEC welcomed Trinity Lutheran Church, New Hamburg and Mount Zion Lutheran Church, Waterloo as our first congregational investment partners in 2009. Subsequently we have added Trinity Latvian Lutheran Church, Montreal as an investment partner in 2010. St. John Lutheran Church, Ottawa has provided seed money for an endowment fund for Youth and Young Adult (YAYA) ministry. A donor couple in October 2010 made the initial donation to establish a fund for disaster relief and scholarships/bursaries.

Jeff Pym, ELFEC's Secretary-Treasurer, has held meetings with congregations, both individually and in clusters, explaining the benefits of becoming an ELFEC investment partner. He made nine of these presentations in 2009 and a further seven in 2010.

Audit contract tender

The board decided in late 2009 to seek competitive bids from a number of accounting firms in the area for ELFEC's financial audit. We conducted a detailed and careful process that resulted in five written proposals from qualified firms. Senior staff members from two of these companies were interviewed by a board task force. A motion from the board concerning the appointment of ELFEC's auditor will be coming before members later in the AGM agenda.

Planned giving

Lutheran Planned Giving is a program of the foundation. When he's not acting as ELFEC's Secretary-Treasurer, Jeff Pym assists people to make planned gifts to the church.

At this moment, there are 290 people in the Eastern Synod who have declared themselves as planned giving donors. Collectively, they have arranged gift expectancies totalling almost \$8.3 million. Of this amount, slightly more than half has already been received by congregations, institutions and expressions of the

wider church. Gift expectancies are given a nominal value because in many cases it is impossible to predict what the actual value will turn out to be when they are realized.

Since the beginning of 2009, an additional 31 gift expectancies have been recorded.

In conclusion

We are very pleased to report that ELFEC had a successful year in 2009 and 2010 thus far. The directors join me in thanking the members for the opportunity to serve the foundation and the mission to which it has been called.

Laurie Kitchen
President

Directors Serving in 2009-10

Director	Elected	Term Ending
Karen Bjerland	2009	2012
Rev. Guenter Dahle	2007	2010
Allan Greve	2009	2012
Laurie Kitchen	2008	2011
David Michael	2007	2009
Keith Myra	2007	2009
Rev. Dr. David Pfrimmer	2007	2010
Caroline Verleyen	2009	2011

Rev. Guenter Dahle has chosen not to stand for re-election to the ELFEC board in 2010, following his retirement from Eastern Synod office staff. He was a long-time member of the Synod's Investment Committee and a founding member of the ELFEC board. In spite of his heavy travel schedule, Guenter rarely missed a board meeting and opened most of them with a prayer or devotional reading. For the past year he has served as the organization's vice-president. ELFEC is indebted to Pr. Dahle for the conscientious way he discharged his duties as director and for his vision of how the foundation could serve the wider church.

Note

The remaining sections in this report pertain to the fiscal year ending December 31, 2009.

Gifts Received

ELFEC received the following gifts from the Eastern Synod in 2009:

Donations to funds	\$118,027
Planned giving program support	72,000
Other gifts of planned giving program support:	
Lutheran Homes: Kitchener-Waterloo	\$8,000
Waterloo Lutheran Seminary	8,000
In-kind donations of securities from four individual donors:	\$495,696

Grants Made

ELFEC received applications from the Eastern Synod and made grants for the following purposes, consistent with the terms of the funds transferred from the Synod to ELFEC on December 31, 2007.

Purpose	Amount
Retired pastors' health premiums	\$2,826.00
Scholarships and bursaries	84,863.00
Mission congregations	243,569.40
Outdoor ministry (camps)	15,779.40
Campus ministries	29,705.85
Maintenance of closed congregational properties	3,112.37
Vision Visits	7,469.22
New Beginnings	43,001.76
Emergency relief (CLWR)	25,003.17
Miscellaneous ministries	27,020.08
General operations (undesignated)	320,780.00
Total	\$803,130.27

ELFEC made other grants as follows:

Purpose	Amount
To holders of managed fund agreements (net of fees)	\$16,871.00
To congregations, resulting from donor directions with gifts	76,615.00
Total	\$93,486.00

Funds Held at December 31, 2009

Source	Number of funds at Dec 31, 2009	2009 Total	2008 Total
Synod General Investment	3	\$4,863,537	\$4,630,944
Synod other income-earning	36	3,775,299	3,610,079
Synod non-income-earning	43	764,790	432,453
Total Synod	82	\$9,403,627	\$8,673,475
Partners	2	396,514	0
Total funds	84	\$9,800,141	\$8,673,475

Note: The totals of Synod funds do not match the statement of fund balances in the financial statements because of the auditor's adjustment of \$8,312 made to the statements several years ago. This has (finally) been corrected in 2010.

Investment

Policy and administration

In 2007 ELFEC adopted the investment policy that had been used by the investment committee of the Eastern Synod, with necessary changes in nomenclature. That policy can fairly be described as conservative, with its emphasis on:

1. Preserving capital
2. Generating a predictable stream of income
3. Attaining growth in value to offset the effects of inflation

The Raelipskie Partnership (RLP), based in Waterloo, has managed the portfolio since 1998 (when it was in the hands of the Eastern Synod). RLP continues to achieve good investment returns and to provide a high level of customer service, operating within the guidelines provided by the investment policy.

Portfolio

The investment policy specifies that the portfolio be divided between investment classes as follows:

Cash	0-10%
Fixed income	60-100%
Equity	0-35%

It is common for the percentages to vary through the year with normal fluctuations in markets and investment decisions by the manager. At year-end 2009 the breakdown was as follows:

Cash	4.5%
Fixed income	61.5%
Equity	34.0%

Results

After a very disappointing year in 2008, ELFEC's investment portfolio produced a return of 11.7% in 2009. The majority of the capital gains occurred in the second and third quarters of the year.

The portfolio's average annualized return from February 1998 to the end of 2009, consisting of almost ten years in Eastern Synod hands and two years in ELFEC's, is 6.0%.

In April 2010, the investment manager notified us of an error in their reporting for the years 2008 and 2009. That error resulted in investment income being overstated in both years. Because this happened after grants had been paid to the Synod and as the audit process was almost complete, we decided (with the concurrence of the auditor) not to change the 2009 financial statements but to make a correction to investment income in 2010. The total adjustment from the two years is a reduction of \$31,113.

Preview

After three quarters of 2010, investment returns are at approximately 4.7%. While nothing is guaranteed, it appears possible that the year-end result will be close to the historical average.