



*Evangelical Lutheran
Foundation of Eastern Canada*

Annual Report Fiscal Year 2010

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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 2010 and 2011 to date. If all goes according to plan, this will be the last Annual Report that covers such a long span of time. We have initiated plans to hold the AGM for next year and all future years in March.

The board has met regularly through this period. 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.

Highlights

ELFEC's accomplishments since the last AGM can be described in a few main areas:

1. Identity and purpose
 - a. Over the past year the board has come to see **Socially Responsible Investing** (SRI) as central to ELFEC's identity. It is how we will distinguish ourselves from the many other organizations offering investment management services. This commitment has been expressed in several areas:
 - i. Revision of the Investment Policy statement.
 - ii. Recruitment of new candidates for the board.
 - iii. Criteria for tendering the investment management contract.
 - iv. Willingness to examine new and creative initiatives known as "Mission Based Investing".
 - b. The board adopted a policy defining the kinds of funds we encourage donors to establish. These "**Ministry Purpose Funds**" include:
 - i. Renewal of Christian communities
 - ii. Youth and young adult ministry
 - iii. Social justice
 - iv. Leadership development
 - v. Partnership for ministry
 - vi. Generous giving

We were pleased when our first non-institutional donor came forward with an offer to establish a two-part fund providing grants for disaster relief and schools in economically disadvantaged neighbourhoods. We believe that this fund has the potential to produce wonderful outcomes when it is fully funded.

2. Partnerships

We have welcomed two more **congregational partners** over the past year, bringing the total to six, with total assets under management of

approximately \$650K. We are actively promoting ELFEC to Eastern Synod congregations as an investment alternative with many advantages.

3. Public profile

Early in 2011 we launched the ELFEC **website** at www.elfec.ca. Traffic has been light so far as we try to make our online presence known, but the site is proving to be a useful way of making information accessible to congregations and individuals.

4. Services

- a. Earlier this year we approved a template for **distribution agreements**. This provides donors with a simple and inexpensive way to name multiple beneficiaries of planned gifts, and to change beneficiary designations. A will or life insurance policy, for example, would name ELFEC as the beneficiary but the distribution agreement between the donor and ELFEC would direct us to distribute the proceeds to other beneficiaries in the amounts of proportions specified. So far we have executed such agreements with two donors.
- b. We continue to provide information and consultation to congregations and individuals through our **Lutheran Planned Giving** program. LPG will complete its fifteenth year of service to the church at the end of 2011! Further details appear below.

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 two 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.

In fiscal 2010 the ELFEC investment portfolio produced a total return, after investment management fees, of 6.8%. Unless there is a major reversal of fortunes in world financial markets in the last quarter of the year, we expect 2011 results to be significantly lower.

Financial audit

At the AGM we will present the financial statements produced by our new auditor. We have been delighted with both the excellent service and the lower fees, and look forward to a long and happy relationship with our audit firm, RLB LLP.

Planned giving

Lutheran Planned Giving is a program of the foundation. In addition to acting as ELFEC's Secretary-Treasurer, Jeff Pym assists people to make planned gifts to the church.

At this moment, there are 298 people in the Eastern Synod who have declared themselves as planned giving donors. Collectively, they have arranged gift expectancies totalling \$8.5 million. Of this amount, \$4.8 million 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.

In conclusion

We are very pleased to report that ELFEC had a successful year in 2010 and 2011 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 2010-11

Director	Elected	Term Ending
Karen Bjerland (resigned in 2011)	2009	2012
Rev. Guenter Dahle	2007	2010
Allan Greve	2009	2012
Rev. Dr. Mark Harris (Vice-president)	2010	2013
Laurie Kitchen (President)	2008	2011
Rev. Dr. David Pfrimmer	2010	2013
Caroline Verleyen (resigned 2011)	2009	2011

Note

The remaining sections in this report pertain to the fiscal year ending December 31, 2010.

Gifts Received

ELFEC received the following gifts in 2010:

From the Eastern Synod	
Donations to funds	\$293,737
Planned giving program support	73,000
From Lutheran Campus Ministry Waterloo	\$35,000
From endowment fund donors	\$13,000
PG program support from funding partners:	
Lutheran Homes: Kitchener-Waterloo	\$4,000
Waterloo Lutheran Seminary	8,000
In-kind donations of securities from individual donors:	\$9,261
Miscellaneous cash donations	\$402

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
Undesignated programs	\$213,664.87
Retired pastors' health premiums	1,898.21
Scholarships and bursaries	79,500.00
Congregational missions	106,736.84
Companion synod	1,406.35
Campus ministries	945.23
Maintenance of closed congregational properties	1,995.99
Challenge for Change	444.38
New Beginnings	19,330.57
Synod office repairs	1,574.70
Total	\$427,497.14

ELFEC made other grants as follows:

Purpose	Amount
To holders of managed fund agreements (net of fees)	\$28,428.00
To congregations, resulting from donor directions with gifts	3,692.00
Total	\$32,120.00

Funds Held at December 31, 2010

Source	Number of funds at Dec 31, 2010	2010 Total	2009 Total
Synod General Investment	3	\$4,970,938	\$4,863,537
Synod other income-earning	38	4,540,747	3,775,299
Synod non-income-earning	42	402,178	764,790
Total Synod	83	\$9,913,863	\$9,403,627
Congregational managed funds	3	496,514	396,514
Other endowment funds	2	13,475	0
Total funds	88	\$10,423,852	\$9,800,141

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 investment policy was reviewed and revised in 2010, but not implemented until the beginning of 2011. The new version is still conservative in nature, but it raises the permitted share of equities in the portfolio slightly.

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.

Asset allocation

The investment policy in force in 2010 specified 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 2010 the breakdown was as follows:

Cash	4.0%
Fixed income	60.3%
Equity	35.7%

Results

After an excellent year in 2009, ELFEC's investment portfolio produced a more normal return of 6.8% in 2010. The second and third quarters of the year were particularly strong for bonds, while most of the gains in equities occurred in third and fourth quarters.

The portfolio's average annualized return from February 1998 to the end of 2010, consisting of almost ten years in Eastern Synod hands and three years in ELFEC's, is 6.1%.

Preview

After three quarters of 2011, investment returns are at approximately 0.1%. Given the volatility of markets around the world in 2011, it appears unlikely that the year-end result will be close to the historical average.