



*Evangelical Lutheran
Foundation of Eastern Canada*

Annual Report Fiscal Year 2011

Contents

Report of Directors	2
Directors Serving in 2011	4
Gifts Received	5
Grants Made	5
Funds Held at December 31, 2011	6
Investment	
Policy and administration	6
Asset allocation	7
Results	7
Preview	7
Audited financial Statements	appended

Report of Directors

I am pleased to present this report on behalf of the ELFEC board of directors.

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 in 2011 can be described in a few main areas:

1. Director recruitment

At the last AGM the members elected 3 **new directors** who were carefully recruited for their skill, knowledge and experience in areas that would expand the board's capabilities. The board filled one vacancy after the AGM by appointing Janina Vanderpost as director. The board has put forward Janina and Allan Greve for election at this AGM to terms ending in 2015.

2. Partnerships

We welcomed another **congregational partner** in late 2011, bringing the total to six, with total partner assets under management of just over \$700K. We continue to promote ELFEC to Eastern Synod congregations as an investment alternative with many advantages.

3. Memorandum of understanding

At the end of 2011 ELFEC and the Eastern Synod signed a **Memorandum of Understanding (MOU)**. This document clarifies some aspects of ELFEC's relationship with the synod and it defines a new financial arrangement. It also provides a mechanism for routine review of the relationship as it is outlined in the MOU.

Beginning in fiscal 2012, ELFEC will charge an administrative fee on all of the funds that were transferred from the synod in 2007 or thereafter. This puts them on a similar basis to other funds administered by ELFEC and ends a system of operating grants from the synod. The directors are pleased with the good relationship we have with the Eastern Synod and look forward to serving the synod for many years to come.

4. Services

We continue to provide information and consultation to congregations and individuals through our **Lutheran Planned Giving** program. LPG completed its fifteenth year of service to the church at the end of 2011! Further details appear later in this report.

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 the 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 2011 the ELFEC investment portfolio produced a total return, after investment management fees, of 2.3%. We are learning to reduce our expectations of investment returns as we adjust to conditions where low interest rates and market volatility appear to be the norm.

Financial audit

At the AGM we will present the annual financial statements prepared by our auditor, RLB LLP. We remain pleased with the relationship we have established with the firm and the personnel assigned to our file.

Planned giving

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

At the end of 2011 there were 300 people in the Eastern Synod who had declared themselves as planned giving donors. Collectively, they arranged gift expectancies totalling \$8.5 million. Of this amount, \$4.86 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 2011, even though investment returns were below our historical average. 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 2011

Director	Elected	Term Ending
Karen Bjerland (resigned in 2011)	2009	2012
Caroline Verleyen (resigned 2011)	2009	2011
Allan Greve	2009	2012
Rev. Dr. Mark Harris (Vice-president)	2010	2013
Laurie Kitchen (President)	2011	2014
Rev. Dr. David Pfrimmer	2010	2013
Susan Heard	2011	2014
Bill Kuehnbaum	2011	2013
Wendell Schlumberger	2011	2014
Janina Vanderpost	2011	2012

Note

The remaining sections in this report pertain to the fiscal year ending December 31, 2011.

Gifts Received

ELFEC received the following gifts in 2011:

From the Eastern Synod	
Donations to funds	\$1,516,168
Planned giving program support	74,000
From endowment fund donors	\$4,534
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:	\$194,133
Miscellaneous cash donations	\$250

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
Bishop's discretionary fund	\$2,332.75
Retired pastors' health premiums	1,354.00
Scholarships and bursaries	122,826.00
Congregational missions (incl. salaries & benefits)	183,271.92
Synod Assembly	2,087.35
Youth and young adult ministries	8,958.83
Maintenance of closed congregational properties	6,231.63
Challenge for Change	1,087.88
New Beginnings	15,306.42
Synod office repairs and maintenance	36,127.31
ELFEC support	74,000.00
Synod office copier purchase	12,000.00
Congregational compassionate justice projects	19,500.00
Waterloo Lutheran Seminary redevelopment	35,000.00
Undesignated operations	153,330.00
Total	\$673,414.09

ELFEC made other grants as follows:

Purpose	Amount
To holders of managed fund agreements (net of fees)	\$6,894.09
To congregations, resulting from donor directions with gifts	30,549.44
To camps	155,055.00
Total	\$192,498.53

Funds Held at December 31, 2011

Source	Number of funds at Dec 31, 2011	2011 Total	2010 Total
Synod General Investment	3	\$4,935,916	\$4,970,938
Synod other income-earning	39	5,746,388	4,540,747
Synod non-income-earning	42	362,235	402,178
Total Synod	84	\$11,044,539	\$9,913,863
Congregational managed funds	6	701,925	496,514
Other endowment funds	2	18,147	13,475
Total funds	92	\$11,764,611	\$10,423,852

Investment

Policy and administration

ELFEC's investment policy, adopted in 2007 and revised in 2010, 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.

Asset allocation

The investment policy in force in 2011 specified that the portfolio be divided between investment classes as follows:

Cash	1-10%
Fixed income	50-89%
Equity	10-40%

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 2011 the breakdown was as follows:

Cash	3.3%
Fixed income	60.3%
Equity	36.4%

Results

After a good year in 2010, ELFEC's investment portfolio produced a disappointing return of 2.3% in 2011. Bond performance was relatively strong through the year while equities lost money.

The portfolio's average annualized return from February 1998 to the end of 2011, consisting of almost ten years in Eastern Synod hands and four years in ELFEC's, is 5.8%.