



*Evangelical Lutheran
Foundation of Eastern Canada*

Annual Report Fiscal Year 2012

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Report of Directors

Through 2012, the Board focussed principally on the following areas:

Investment Management

ELFEC continued to use the RaeLipskie Partnership (RLP) to manage the foundation's investment portfolio. Two of the principals of RLP met with the Board on two occasions during the year to review portfolio performance and monitor compliance with the investment policies established by the Board. We have endeavoured to have more focussed conversations with RLP by providing them, in advance, with a proposed agenda for our conversations and in particular, to focus the conversation not just on investment returns but on their approach to investing responsibly.

The total return on the foundation's investment portfolio in 2012 was 6.84%, up from 2.3% in 2011. This return compared favourably with the average return on Canadian balanced funds which was 5.9%. Returns on the Canadian and international equity portions of the portfolio were particularly strong while performance on the bond portfolio and the US equity portfolio lagged the market.

The performance of the bond portfolio is a cause for concern. This is a function not only of the low interest rate environment but also of the passive approach to managing a bond portfolio employed by RLP.

Responsible Investing

The Board focussed considerable attention in 2012 on what "responsible investing" means to ELFEC. We did this for three reasons: first, a motion at the last AGM asked the board "to investigate the issues surrounding Responsible Investment (RI), take the necessary steps to create and implement an appropriate RI policy that reflects our church's commitment to compassionate justice and ethical stewardship, and provide a progress report to the members at the next Annual General Meeting.". Second, as we move forward with our goal of tendering the investment management of the foundation's assets in 2013, we must develop language around "responsible investment" and what it means to us so that we are able to provide concrete guidelines to prospective investment managers. Finally, we believe that if we are to differentiate ELFEC from other investment choices available to congregations and the wider faith community, a well-defined focus on responsible investment may be an attractive differentiator.

To assist in this process, ELFEC joined the Shareholder Association for Research and Education (SHARE), an organization whose membership includes pension funds, mutual funds, foundations, faith-based organizations and asset managers that have an interest in, or focus on, responsible investing. SHARE provides proxy voting assistance, engages with corporations on issues of

concern to the responsible investing community and provides support to organizations like ELFEC in formulating responsible investing policies.

ELFEC also designed a short survey on responsible investing that was circulated to Synod Council, congregational partners and other interested parties to help us determine where our focus should be on matters relating to responsible investing. We recognize that we as a Board cannot be knowledgeable in a meaningful way across the full spectrum of responsible investing concerns and we need to focus our efforts and attention on areas of most concern to our stakeholder community.

Addressing Changes Required to Comply with new Not-For-Profit Legislation

As a result of changes to federal legislation governing the Not-for-Profit sector, ELFEC is required to submit “Articles of Continuance” to Corporations Canada by October 2014. The membership will be asked to approve the Articles at the AGM and revised by-laws later in 2013.

ELFEC Services

ELFEC was approached by several parties in 2012 regarding a possible expansion of ELFEC services to include fundraising support, annual giving campaigns, public relations and other activities. After considering several alternative approaches, the Board came to the consensus that it would be premature to consider any expansion of services at this time. Any change in focus will be considered in 2013 as part of a broader review of strategic directions.

Board Objectives for 2013

As a Board, we believe it is important that we set for ourselves specific objectives against which we can measure our performance. To this end, we established specific objectives for 2013 as outlined below:

1. Completing the review and revision of ELFEC’s investment policy, including a section on Responsible Investment
2. Issuing a Request for Proposal for investment management services by the end of June, with a contract to begin January 1, 2014
3. Continuing to define how ELFEC will differentiate itself, through consideration of strategic directions, services and clients
4. Planning for succession in the Executive Director’s position

ELFEC welcomed three additional congregational partners in 2012, and lost one, bringing the total to eight. At year end, total partner assets under management totalled almost \$964,000. We continue to promote ELFEC to Eastern Synod

congregations as an alternative to investment vehicles offered by the private sector. In addition, ELFEC continues to operate Lutheran Planned Giving, a foundation program that assists individuals in making planned gifts to the church. At the end of 2012, there were 305 individuals in the Eastern Synod who had declared themselves as planned giving donors. Collectively, they have arranged gift expectancies totalling just under \$9 million.

On a sadder note, we say goodbye this year to David Pfrimmer, a long-time ELFEC director and member of the Synod Investment Committee before that. David's term as a director has come to an end and he is not eligible for re-election. David has made an invaluable contribution to ELFEC and in particular to our discussions on responsible investing. On behalf of the Board, I would like to thank him for his contributions and wish him well as he leads Waterloo Lutheran Seminary into new areas of service.

Finally, I would like to express my personal thanks to all of the directors who have been diligent in their attendance and thorough in their oversight of the affairs of the foundation. It is a pleasure working with them. On behalf of the directors, I would also like to thank the members for the opportunity to serve the foundation and the mission to which it has been called.

Susan Heard
President

Directors Serving in 2012

Director	Elected	Term Ending
Allan Greve	2012	2015
Rev. Dr. Mark Harris (Vice-president)	2010	2013
Laurie Kitchen	2011	2014
Rev. Dr. David Pfrimmer	2010	2013
Susan Heard (President)	2011	2014
Bill Kuehnbaum	2011	2013
Wendell Schlumberger	2011	2014
Janina Vanderpost	2012	2015

Note

The remaining sections in this report pertain to the fiscal year ending December 31, 2012.

Gifts Received

Source	Type	Amount
Eastern Synod	Donations to funds	\$1,248,380.81
Individual donors	Securities	403,019.81
	Cash	15,100.00
Funding partners	Program support	12,000.00
Total		\$1,678,500.62

Congregational investment partners made contributions to existing or new funds totalling \$313,801.00.

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	\$1,953.42
Scholarships and bursaries	100,294.82
Congregational missions (incl. salaries & benefits)	27,634.43
Youth and young adult ministries	30,344.18
Maintenance of closed congregational properties	4,667.46
Synod office repairs and maintenance	716.93
Congregational compassionate justice projects	500.00
Undesignated operations	197,249.00
Total	\$363,360.24

ELFEC made other grants as follows:

Purpose	Amount
To holders of managed fund agreements (net of fees)	\$48,227.11
To congregations, resulting from donor directions with gifts	105,004.27
To Eastern Synod, resulting from donor directions with gifts	4,087.97
Total	\$157,319.35

One congregational partner closed its fund by withdrawing the remaining balance of \$51,600.00.

Impact of Grants Made

The bare numbers of dollars granted tell only part of the story. The impact of those dollars includes the following:

To the Eastern Synod

- Premium subsidies to approximately 100 retired pastors and/or spouses, thereby ensuring that they have affordable supplemental health-care insurance.
- Scholarships ranging in size from \$400 to \$1,500 for 95 students studying at post-secondary institutions. These scholarships are awarded based on demonstrated financial need.
- Six scholarships of \$300-500 each to students studying music.
- Monthly partnership assistance payments ranging from \$400 to \$1,500 each to three newer congregations and one established congregation. These payments help pay the bills until congregations can become entirely self-supporting, or until an established congregation can recover from a financial crisis.
- Contribution to the Edgewood Camp and Conference Centre Redevelopment project, which will see the construction of a new building designed for retreats and meetings. This will enable Edgewood to serve existing clients better, and reach out to new users whose needs exceed current facilities.
- Emergency repairs to facilities at Edgewood Camp and Conference Centre.
- Maintenance of a church (and its cemetery) which is listed for sale on the real estate market. When a sale is completed, the proceeds will be used by the synod in other ministry programs.
- Upgrades to information technology equipment in the Synod office.
- Assistance to the community ministry program at St. Mark's in Kitchener. This program provides a weekly meal and fellowship to people for whom food security is a major concern.
- Leadership development assessment and training for pastors through the In Mission for Others program.
- Other ministry programs conducted by the synod, whose costs are not fully covered by the revenue received from congregational benevolence offerings.

To Congregations

- Construction of the addition to the church building at Faith Lutheran Church in Port Elgin.
- A solar panel installation project at Holy Cross Lutheran Church in Newmarket.
- The general operating fund at Mount Zion in Waterloo.

Funds Held at December 31, 2012

Source	Number of funds at Dec 31, 2012	2012 Total	2011 Total
Synod General Investment	3	\$5,011,868	\$4,935,916
Synod other income-earning	40	7,490,589	5,746,388
Synod non-income-earning	31	412,966	362,235
Total Synod	74	\$12,915,423	\$11,044,539
Congregational managed funds	6	963,726	701,925
Other endowment funds	2	20,252	18,147
Total funds	92	\$13,899,401	\$11,764,611

Investment Results

After experiencing a disappointing year in 2011 (consistent with the markets), ELFEC's investment portfolio produced a relatively good return of 6.8% in 2012. This is net of the investment manager's fees.

Equity performance was strong through much of the year while bonds produced a solid income.

The portfolio's average annualized return from February 1998 to the end of 2012, consisting of almost ten years in Eastern Synod hands and five years in ELFEC's, is 5.84%.