

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Financial Statements

We have audited the accompanying financial statements of the Synod of Alberta and the Territories of the Evangelical Lutheran Church in Canada, which comprise the balance sheet as at December 31, 2015 and the statement of operations, statement of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Synod derives revenue from voluntary cash donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Synod and we were not able to determine whether any adjustments might be necessary to contributions, excess revenue (expenses), current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of contributions referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Synod of Alberta and the Territories of the Evangelical Lutheran Church in Canada as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Independent Auditors' Report to the Members of Synod of Alberta and the Territories, continued

We do not express an opinion on the budgeted figures provided on the Statement of Operations and Schedule of Ministries Expenses, which are provided for information only.

VKO LLP

VKO LLP

Chartered Accountants

Edmonton, Alberta

March 12, 2016

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Balance Sheet

December 31, 2015, with comparative figures for 2014

	2015	2014
Assets		
Current assets:		
Cash and term deposits (note 3)	\$ 776,580	\$ 585,726
Accounts receivable	5,749	6,249
Prepaid expenses	8,970	7,410
	791,299	599,385
Trust assets (note 4)	465	465
Investments (note 5)	2	2
Property and equipment (note 6)	696,345	732,197
	\$ 1,488,111	\$ 1,332,049
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,130	\$ 68,535
Deferred contributions (note 7)	511,545	289,629
	532,675	358,164
Deferred capital contributions (note 7)	26,916	28,499
Trust liabilities (note 4)	465	465
	560,056	387,128
Net assets:		
Invested in property and equipment	669,428	703,697
Restricted (note 8)	178,379	219,476
Unrestricted	80,248	21,748
	928,055	944,921
Contingent liability (note 9)		
	\$ 1,488,111	\$ 1,332,049

See accompanying notes to financial statements.

On behalf of Synod Council:

Hay Kachender Bishop

[Signature] Treasurer

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Statement of Operations

Year ended December 31, 2015, with comparative figures for 2015 budget and 2014

	2015	Budget	2014
Revenue:			
Benevolence contributions	\$ 682,377	714,000	\$ 714,975
Other contributions	424,034	72,500	258,183
Interest and other	18,455	5,000	16,851
Amortization of deferred contributions	1,583	-	1,583
	1,126,449	791,500	991,592
Designated gifts (schedule 1)	287,246	-	256,569
	1,413,695	791,500	1,248,161
Expenses:			
National church support	142,400	142,400	142,000
Ministries (schedule 2)	516,839	223,350	458,409
Synod support ministry (schedule 3)	394,960	425,750	490,694
Other (schedule 4)	51,777	-	46,137
Amortization	37,339	-	39,432
	1,143,315	791,500	1,176,672
Designated gifts (schedule 1)	287,246	-	256,569
	1,430,561	791,500	1,433,241
Excess revenue (expenses)	\$ (16,866)	-	\$ (185,080)

See accompanying notes to financial statements.

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative figures for 2014

		Invested in property and equipment	Restricted for future operations	Unrestricted	2015 Total	2014 Total
Balance, beginning of year	\$	703,697	219,476	21,748	944,921	1,130,001
Excess revenue (expenses)		(35,756)	-	18,890	(16,866)	(185,080)
Acquisition of equipment		1,487	-	(1,487)	-	-
Transfer (note 8)		-	(41,097)	41,097	-	-
Balance, end of year	\$	669,428	178,379	80,248	928,055	944,921

See accompanying notes to financial statements.

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Statement of Cash Flows

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess revenue (expenses)	\$ (16,866)	\$ (185,080)
Items not involving cash:		
Amortization of property and equipment	37,339	39,432
Amortization of deferred contributions related to property and equipment	(1,583)	(1,583)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	500	(2,782)
Decrease (increase) in prepaid expenses	(1,560)	(6,910)
Increase (decrease) in accounts payable and accrued liabilities	(47,405)	51,358
Increase (decrease) in deferred contributions	221,916	20,052
	192,341	(85,513)
Financing and investments:		
Purchase of property and equipment	(1,487)	(649)
	190,854	(86,162)
Increase (decrease) in cash and term deposits		
Cash and term deposits, beginning of year	585,726	671,888
Cash and term deposits, end of year	\$ 776,580	\$ 585,726

See accompanying notes to financial statements.

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Notes to Financial Statements

Year ended December 31, 2015

The mission of Synod, as a regional expression of the Evangelical Lutheran Church in Canada ("ELCIC") and the universal church and as an instrument of the Holy Spirit, is to bring the Gospel of Jesus Christ to people in Canada and around the world through the proclamation of the Word and the administration of the Sacraments and through service in Christ's name.

The Synod of Alberta and the Territories of the Evangelical Lutheran Church in Canada is incorporated without share capital as a non-profit organization under a special act of the legislature of the Province of Alberta. The Synod is a charitable organization under the Income Tax Act and as such is exempt from income taxes and able to issue donation receipts for income tax purposes.

The name of the Synod was amended to "Synod of Alberta and the Territories" by members in convention in May 1990. For legal purposes the name remains as "Alberta Synod".

1. Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

2. Significant accounting policies:

(a) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(b) Cash and cash equivalents:

Cash includes cash and cash equivalents. Cash equivalents includes deposits held at financial institutions.

(c) Revenue recognition:

The Synod follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received with the exception of benevolence, which includes amounts received after the year-end that have been recorded as an expense for the year by contributing congregations. Endowment contributions are recognized as direct increases in net assets

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Notes to Financial Statements, continued

Year ended December 31, 2015

2. Significant accounting policies, continued:

(c) Revenue recognition, continued:

Restricted investment earnings are recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment earnings are recognized as revenue when earned.

(d) Property and equipment:

Purchased assets are recorded at cost. Contributed assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the various assets using the following rates per annum:

Building	5%
Computer equipment	25%
Office equipment	25%

(e) Contributed goods and services:

Contributed goods and operational services are recorded as a revenue and expense at fair market value when the contribution is received. Contributions of other services, such as volunteer labour, are not recognized in the financial statements.

3. Restricted cash:

The Synod maintains separate bank accounts and term deposits for funds received subject to certain restrictions. As at December 31, 2015, \$115,730 (2014 - \$89,609) was restricted for use in specified programs.

4. Trust assets and liabilities:

The Synod acts as agent for the Alberta Finnish Ministry and funds from this trust are disbursed at their direction.

	2015	2014
Assets:		
Finnish Ministry	\$ 465	\$ 465
Liabilities:		
Finnish Ministry	\$ 465	\$ 465

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Notes to Financial Statements, continued

Year ended December 31, 2015

5. Investments:

	2015		2014	
Equity in Mulhurst Lutheran Church Camp, at nominal value	\$	1	\$	1
Equity in other assets, at nominal value		1		1
	\$	2	\$	2

6. Property and equipment:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 240,000	-	240,000	240,000
Building	734,894	280,335	454,559	491,304
Computer equipment	31,513	29,727	1,786	525
Office equipment	16,508	16,508	-	368
	\$ 1,022,915	326,570	696,345	732,197

7. Deferred contributions:

Deferred contributions represent restricted operating funding received in the current period that is related to a subsequent period. Deferred capital contributions represent restricted funding received to acquire property and equipment. This amount will be amortized to revenue over the life of the related capital assets.

Deferred contributions at the year end date are comprised of the following amounts:

	2015		2014	
Canadian Missions	\$	144,343		118,012
El Salvador Ministry		64,819		69,794
Mental Health Initiative		97,573		-
Creative Initiatives		94,348		-
Support Our Students		32,311		34,126
Study Conference		14,458		14,687
Other ministries		63,693		53,010
	\$	511,545		289,629

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Notes to Financial Statements, continued

Year ended December 31, 2015

8. Restriction on net assets:

Amounts restricted for endowment purposes are subject to internally imposed restrictions established by the Synod Council in 2006 stipulating that the capital be maintained permanently. In 2007 the endowment was transferred to the Edmonton Community Foundation under similar restrictions. Ongoing contributions received for the endowment are transferred annually to the Edmonton Community Foundation. The Synod retains the right to all future earnings from the transferred amount. Investment earnings are restricted to assist in theological education of qualified candidates.

The Synod Council has also restricted a total of \$178,379, comprised of a bequest of \$468,897 plus accumulated interest to date of \$12,126 less allocations of \$302,644, as a reserve for future operations and new ministry initiatives. The amounts will be shown on the Statement of Changes in Net Assets in the year the funds are utilized. During the year \$41,097 (2014 - \$95,642) was utilized to support initiatives.

9. Contingent liability:

The Synod has a limited guarantee of \$150,000 related to a mortgage of one of its congregations. The guarantee would only be enforced in the event of a mortgage default by the congregation and the value of the underlying property at such time was less than the outstanding mortgage. As of the year end no amounts have been advanced or paid related to the guarantee.

10. Financial Instruments:

Risks and concentrations:

The Synod is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Synod's risk exposure at the balance sheet date of December 31, 2015.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Synod is exposed to this risk mainly in respect of its accounts payable.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Synod is not significantly exposed to this risk.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Synod is not significantly exposed to these risks.

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Schedule of Designated Gifts

Schedule 1

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
Augustana University chaplaincy	\$ 438	\$ 1,660
Campus Ministry	63,742	16,690
Canadian Lutheran Bible Institute	1,870	1,810
Canadian Lutheran World Relief	163,762	153,308
Church camps	20,181	6,824
Food banks	-	1,760
L.A.M.P.	885	580
L.I.M.E.	3,615	4,650
Lutheran Theological Seminary	6,722	12,392
On Eagle's Wings Ecumenical Ministries Inc.	3,786	13,507
World Missions:		
- designated	2,200	2,400
- undesignated	11,319	5,883
Other designated gifts	8,726	35,105
	<u>\$ 287,246</u>	<u>\$ 256,569</u>

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Schedule of Ministries Expenses

Schedule 2

Year ended December 31, 2015, with comparative figures for 2015 budget and 2014

	Theological Education and Leadership						World Missions	Other Ministries	Total
	Canadian Missions	Social Ministry	Campus Ministry	Communications	Education and Leadership	World Missions			
Committee meetings and travel	\$ 100	\$ -	\$ 306	\$ -	\$ 3,843	\$ 159	\$ -	\$ 4,408	
El Salvador	-	-	-	-	943	-	52,436	52,436	
Examining committee	-	-	-	-	42,000	-	-	42,000	
Grants and subsidies	-	-	-	-	28,413	-	22,173	336,036	
Programs	90,477	37	182,528	12,408	104,000	-	-	104,000	
Seminary grant	-	-	-	-	-	-	48	48	
Worship	-	-	-	-	-	-	-	-	
Cost recovery and fees	-	-	-	-	(23,032)	-	-	(23,032)	
	\$ 90,577	\$ 37	\$ 182,834	\$ 12,408	\$ 156,167	\$ 159	\$ 74,657	\$ 516,839	
2015 Budget	\$ 20,000	\$ 750	\$ 77,400	\$ 12,500	\$ 110,300	\$ -	\$ 2,400	\$ 223,350	
2014 Actual	\$ 62,314	\$ 114	\$ 165,885	\$ 13,530	\$ 153,418	\$ 300	\$ 62,848	\$ 458,409	

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Schedule of Synod Support Ministry Expenses

Schedule 3

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
Salaries and benefits	\$ 272,602	\$ 376,733
Bank charges	860	1,095
Casual and contract labour	23,869	14,733
Council projects	6,765	12,086
Conferences and deans	3,132	2,994
Council and officers meetings	5,500	5,363
Equipment rental and maintenance	6,817	6,698
Insurance	1,194	1,180
Office and computer supplies	12,441	10,136
Postage and delivery	3,728	4,405
Professional fees	7,995	8,188
Rent	21,000	21,000
Stationery and printing	1,085	50
Telephone and internet	5,102	3,961
Travel	22,870	22,072
	<u>\$ 394,960</u>	<u>\$ 490,694</u>

SYNOD OF ALBERTA AND THE TERRITORIES

(EVANGELICAL LUTHERAN CHURCH IN CANADA)

Schedule of Other Expenses

Schedule 4

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
Pastoral counseling and assistance	\$ 8,630	\$ 4,084
Convention, net	-	(12,187)
Missional ministry initiative	43,147	54,240
	<u>\$ 51,777</u>	<u>\$ 46,137</u>