The Lutheran World Federation

Geneva

Report of the statutory auditor to the Council

on the consolidated financial statements 2018

Report of the statutory auditor

to the Council of The Lutheran World Federation

Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Lutheran World, which comprise the balance-sheet as at 31 December 2018, the statement of comprehensive income, cash-flow statement, statement of change in reserves and notes including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position as at 31 December 2018 and the result of operations and the cash-flow in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Federation in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Association Board for the consolidated financial statements

The Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Federation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Federation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Federation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Federation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Federation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Federation audit. We remain solely responsible for our audit opinion.

We communicate with the Management or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with article 69b paragraph 3 CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Management.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Marc Secretan

Audit expert
Auditor in charge

Charlotte Tavernier

Audit expert

Geneva, 21 May 2019

Enclosure:

- Consolidated financial statements (balance-sheet, statement of comprehensive income, cash-flow statement, statement of change in reserves and notes)

THE LUTHERAN WORLD FEDERATION
CONSOLIDATED BALANCE SHEET
As at December 31, 2018
EURO

	Note	2018 Unrestricted	2018 Restricted	2018 Total	2017 Total
ASSETS					
Current Assets					
Cash & short term deposits	3.1	**27'654'674**	**-**	**27'654'674**	28'850'352
Financial assets - held for trading	3.2	**8'653'109**	**67'097**	**8'720'206**	5'753'905
Accounts receivable & prepayments	3.3	**17'298'398**	**21'218'023**	**38'516'421**	38'562'908
Programs/project balances receivable	3.5	**-**	**11'274'718**	**11'274'718**	12'695'684
Inventory		**2'021'672**	**-**	**2'021'672**	2'151'299
Interfund balances	3.6	**(2'951'939)**	**2'951'939**	**-**	-
Total Current Assets		**52'675'914**	**35'511'777**	**88'187'691**	88'014'148
Fixed Assets	3.7	**5'322'306**	**-**	**5'322'306**	3'186'789
TOTAL ASSETS		**57'998'220**	**35'511'777**	**93'509'997**	91'200'937
LIABILITIES AND RESERVES					
Current Liabilities					
Accounts payable & accrued charges	3.8	**651'401**	**10'014'226**	**10'665'627**	15'051'101
Accounts payable to related parties	3.4b	**541'866**	**614'878**	**1'156'744**	238'272
Unexpended balances	3.9	**-**	**17'599'124**	**17'599'124**	16'002'438
Total Current Liabilities		**1'193'267**	**28'228'228**	**29'421'495**	31'291'811
Long Term Liabilities					
Local staff funds	3.11	**-**	**7'283'549**	**7'283'549**	7'028'678
Defined benefit liability		**4'136'500**	**-**	**4'136'500**	2'164'000
Long term provisions	3.10	**498'514**	**-**	**498'514**	591'253
Total Long Term Liabilities		**4'635'014**	**7'283'549**	**11'918'563**	9'783'931
Total Liabilities		**5'828'281**	**35'511'777**	**41'340'058**	41'075'742
Reserves		**52'169'939**	**-**	**52'169'939**	50'125'195
Currency translation adjustment (CTA)		**-**	**-**	**-**	-
TOTAL LIABILITIES AND RESERVES		**57'998'220**	**35'511'777**	**93'509'997**	91'200'937

THE LUTHERAN WORLD FEDERATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2018
EURO

	2018 Unrestricted						2018 Restricted					2018	2017
	Gen. Sec. & DPO	DTPW	DMD	DWS	Assembly	Total	Gen. Sec. & DPO	DTPW	DMD	DWS	Total	Grand Total	Total
OPERATING INCOME													
Govt./Intergovt. & other grants	-	-	-	2'258'916	-	2'258'916	-	-	-	-	-	2'258'916	2'959'216
Member churches & related agencies support	321'254	-	124'000	2'195'703	-	2'640'957	-	1'364'757	5'684'503	35'382'133	42'431'393	45'072'350	53'682'739
Endowment Fund contribution	294'777	59'431	41'601	-	-	395'809	-	-	-	-	-	395'809	334'702
Other program support	-	-	-	-	-	-	-	-	1'660	90'126'886	90'128'546	90'128'546	96'621'873
Membership fees	2'039'153	348'843	340'550	-	-	2'728'546	-	-	-	-	-	2'728'546	2'920'388
Assembly fees	-	-	-	-	-	-	-	-	-	-	-	-	2'426'236
Administration fees	-	-	-	2'119'270	-	2'119'270	-	-	-	309'737	309'737	2'429'007	1'952'955
Service fees	33'945	-	-	-	-	33'945	-	-	-	-	-	33'945	36'410
Language service fees	-	-	-	-	-	-	-	-	-	-	-	-	3'034
Non-project income	-	-	-	5'475'798	-	5'475'798	-	-	-	1'501'214	1'501'214	6'977'012	7'560'775
Other income	16'042	5'345	-	67'731	-	89'118	-	833	-	-	833	89'951	164'078
Total Operating Income	2'705'171	413'619	506'151	12'117'418	-	15'742'359	-	1'365'590	5'686'163	127'319'970	134'371'723	150'114'082	168'662'406
Operating Expenditure													
Staff related costs	3'135'354	1'097'749	1'779'162	2'838'610	-	8'850'875	-	-	-	-	-	8'850'875	9'401'899
Travel & representation	44'961	35'511	98'444	193'912	-	372'828	-	-	-	-	-	372'828	1'245'023
Other operating expenses	805'356	186'753	537'563	378'616	-	1'908'288	-	-	-	-	-	1'908'288	2'757'418
Non-project expenses	-	-	-	3'958'173	-	3'958'173	-	-	-	-	-	3'958'173	4'797'070
Program/project expenditure	-	294'221	66'216	154'540	-	514'977	-	-	3'339'507	127'319'970	130'659'477	131'174'454	145'475'893
Council & other governing bodies	277'183	-	-	14'018	-	291'201	-	-		-	-	291'201	129'171
Staff & office costs allocated to programs	-	(1'218'173)	(2'119'657)	-	-	(3'337'830)	-	1'218'173	2'119'657	-	3'337'830	-	-
Central services	(1'793'369)	-	-	638'980	-	(1'154'389)	-	147'417	226'999	-	374'416	(779'973)	(694'504)
Total Operating Expenditure	2'469'485	396'061	361'728	8'176'849	-	11'404'123	-	1'365'590	5'686'163	127'319'970	134'371'723	145'775'846	163'111'970
Operating Result	235'686	17'558	144'423	3'940'569	-	4'338'236	-	-	-	-	-	4'338'236	5'550'436
Financial Result													
Net fair value (losses)/gains	(19'331)	(7'601)	(67'730)	(121'297)	-	(215'959)	-	-	-	-	-	(215'959)	730'822
Interest income	3'987	1'568	13'969	28'381	-	47'905	-	-	-	-	-	47'905	85'139
Net exchange (losses)/gains	6'937	2'377	24'872	37'019	-	71'205	-	-	-	-	-	71'205	(1'068'625)
Total Financial Result	(8'407)	(3'656)	(28'889)	(55'897)	-	(96'849)	-	-	-	-	-	(96'849)	(252'664)
Bank charges	4'097	2'387	17'167	23'402	-	47'053	-	-	-	-	-	47'053	39'407
Net Financial Result	(12'504)	(6'043)	(46'056)	(79'299)	-	(143'902)	-	-	-	-	-	(143'902)	(292'071)
Comprehensive result for the year before Other comprehensive income/(expense)	223'182	11'515	98'367	3'861'270	-	4'194'334	-	-	-	-	-	4'194'334	5'258'365
Other comprehensive income/(expense) current year	-	-	-	-	-	-	-	-	-	-	-	(1'788'500)	3'884'000
Staff Fund	-	-	-	-	-	-	-	-	-	-	-	-	509'846
Financial result allocated to Reserve	(361'090)	-	-	-	-	(361'090)	-	-	-	-	-	(361'090)	(321'051)
Comprehensive result for the year	(137'908)	11'515	98'367	3'861'270	-	3'833'244	-	-	-	-	-	2'044'744	9'331'160

THE LUTHERAN WORLD FEDERATION

Consolidated statement of changes in reserves

Year Ended December 31, 2018

EUR

	GS&DPO				DMD					DTPW	DWS							Grand Total
	General	Staff Fund	Financial Result	Total	General	Scholarship Fd	Comm Rev Fd	Comm Enabl Fd	Total	General	General	Res.Admin.	Inst.Cap. Dev.	Prog.Op.	Emergency	Field desig	Total	
Balance at January 1, 2017	(1'851'254)	-	-	(1'851'254)	(1'165'328)	399'637	490'600	93'070	(182'021)	(494'734)	3'936'535	640'401	585'000	-	-	36'985'107	42'147'043	40'794'034
Surplus/(deficit) for the year	525'118	509'846	(321'051)	713'913	309'713				309'713	77'516	268'108					4'115'911	4'384'019	5'485'161
Currency translation adjustment (CTA)																		439'000
IAS 19 adjustment	(12'845)			(12'845)	(7'701)				(7'701)	(5'272)	(12'182)						(12'182)	(38'000)
Actuary Result																		3'445'000
Internal reserve transfers																	-	-
Balance at December 31, 2017	**(1'338'981)**	**509'846**	**(321'051)**	**(1'150'186)**	**(863'316)**	**399'637**	**490'600**	**93'070**	**119'991**	**(422'490)**	**4'192'461**	**640'401**	**585'000**	**-**	**-**	**41'101'018**	**46'518'880**	**50'125'195**

	GS&DPO				DMD					DTPW	DWS							Grand Total
	General	Staff Fund	Financial Result	Total	General	Scholarship Fd	Comm Rev Fd	Comm Enabl Fd	Total	General	General	Res.Admin.	Inst.Cap. Dev.	Prog.Op.	Emergency	Field desig	Total	
Balance from Sage on 01/01/18	1'306'467	509'846	(321'051)	1'495'262	988'598	399'637	490'600	93'070	1'971'905	504'313	5'991'346	640'401	585'000		-	41'101'014	48'317'761	52'289'241
Cummulated actuary result																		5'365'000
Cummulated Currency translation adjustment (CTA)																		(745'000)
Currency translation adjustment (CTA)																		439'000
IAS19	(2'645'448)	-	-	(2'645'448)	(1'851'914)	(0)	-	-	(1'851'914)	(926'803)	(1'798'885)	-		-	-	4	(1'798'881)	(7'223'046)
Balance at January 1, 2018	(1'338'981)	509'846	(321'051)	(1'150'186)	(863'316)	399'637	490'600	93'070	119'991	(422'490)	4'192'461	640'401	585'000	-	-	41'101'018	46'518'880	50'125'195
Surplus/(deficit) for the year	287'094	-	(361'090)	(73'996)	134'633				134'633	33'891	146'176					3'776'540	3'922'716	4'017'244
Currency translation adjustment (CTA)																		
IAS 19 adjustment	(63'911)			(63'911)	(36'266)				(36'266)	(22'376)	(61'447)						(61'447)	(184'000)
Actuary Result																		(1'788'500)
Internal reserve transfers																	-	-
Balance at December 31, 2018	**(1'115'798)**	**509'846**	**(682'141)**	**(1'288'093)**	**(764'949)**	**399'637**	**490'600**	**93'070**	**218'358**	**(410'975)**	**4'277'190**	**640'401**	**585'000**	**-**	**-**	**44'877'558**	**50'380'149**	**52'169'939**

THE LUTHERAN WORLD FEDERATION
Consolidated Statement of Cash Flow (total of all funds)
Year ended December 31, 2018
EURO

		2018	2017
Operating activities			
Result for the year before other comprehensive income/(expense)		**4'194'334**	5'258'365
Other comprehensive income/(expense)		**(2'149'590)**	4'072'799
Adjustments for:			
- Interest income	3.13	**(47'905)**	(85'139)
- Net exchange (gains)/losses	3.13	**(71'205)**	1'068'625
- Depreciation	3.7	**786'543**	728'373
Loss on fixed assets	3.7	**24'642**	15'942
Operating surplus before changes in working capital		**2'736'819**	11'058'965
Changes in working capital			
Net (increase)/decrease in operating assets			
Accounts receivable & prepayments	3.3	**46'487**	2'121'810
Programs/project balances receivable	3.5	**1'420'966**	(334'817)
Inventory		**129'627**	(304'733)
Net increase/(decrease) in operating liabilities			
Accounts payable & accrued charges	3.8	**(4'385'474)**	(35'068)
Accounts payable to related parties	3.4b	**918'472**	(751'359)
Unexpended balances	3.9	**1'596'686**	(1'621'101)
Local staff funds	3.11	**254'871**	693'738
Long term provision	3.10	**(92'739)**	(464'517)
Defined benefit liability		**1'972'500**	(3'846'000)
Net changes in working capital		**1'861'396**	(4'542'047)
Net cash generated from operating activities		**4'598'215**	6'516'918
Investing activities			
Interest income	3.13	**47'905**	85'139
Net exchange/(losses) gains	3.13	**71'209**	(1'068'625)
(Purchase)/sale of securities	3.2	**(2'966'301)**	(3'824'899)
Purchase of fixed assets	3.7	**(28'570)**	(11'802)
Purchase of fixed assets Field Offices	3.7	**(2'918'136)**	(1'676'386)
Net cash (used in) investing activities		**(5'793'893)**	(6'496'573)
Net (decrease) in cash and cash equivalents		**(1'195'678)**	20'346
Cash & cash equivalents at the beginning of the year		**28'850'352**	**28'830'006**
Cash & cash equivalents at the end of the year		**27'654'674**	28'850'352

Notes to the Financial Statements for the year ended December 31, 2018

1. Activities

The Lutheran World Federation (LWF) is a global communion of Christian churches in the Lutheran tradition, founded in 1947. The LWF Secretariat is located in the Ecumenical Centre, Rte de Ferney 150 in Geneva.

The LWF is a non-profit association incorporated and registered under Article 60 and following of the Swiss Civil Code.

The LWF's purpose is to:
- further the united witness to the Gospel of Jesus Christ and strengthen the member churches in carrying out the missionary command and in their efforts towards Christian unity worldwide
- further worldwide among member churches diaconic action, alleviation of human need, promotion of peace and human rights, social and economic justice, care for God's creation and sharing of resources
- further through cooperative study the self-understanding and the communion of member churches and help them to act jointly in common tasks

The Assembly, composed of representatives of the member churches of the Federation, is the principal authority of the LWF. The Assembly is normally held every six years and is responsible for the Constitution, electing the President and the members of the Council, and giving general direction to the work of the Federation.

The Council is composed of the President, the Chairperson of the Finance Committee, and 48 persons elected by the Assembly. The term of office of the Council shall end at the close of the next ordinary Assembly. The Council is responsible for the business of the Federation in the interim between ordinary Assemblies. The Council elects the General Secretary and the Chairperson of the Finance Committee. The Council elects the Vice-Presidents, decides on the budgets of the Federation, and receives the audited accounts and approves them. The Council also elects from among its members an "Executive Committee" and Program Committees as required and appoints their chairpersons.

The LWF Secretariat, headed by the General Secretary, carries out the tasks of the Federation. The General Secretary is assisted in carrying out his duties by the Communion Office Leadership Team composed of the heads of departments/units within the Communion Office. The Council authorizes the structure and terms of reference of the Communion Office. The General Secretary is responsible to the Council for conducting the business of the Federation and carrying out the decisions of the Assembly and the Council.

The financial statements of the LWF for the year ended 31 December 2018 are consolidated to include:

- General Secretariat & Department for Planning and Operations (Gen Sec)
- Department for Theology and Public Witness (DTPW)
- Department for Mission and Development (DMD)
- Department for World Service (DWS)
- Branch offices of the Department for World Service (Field Offices)

The consolidated financial statements presented do not include the results of the Department for World Service associated programs. Each of these has its own legal status separate from that of the LWF and the LWF exercises no control over them.

2. Summary of significant accounting policies

The financial statements will be put to the Council Members for approval at the Organization's Council Meeting to be held in Geneva, Switzerland in June 2019.

These financial statements were authorized for issue on 21 May 2019 by the General Secretary.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for securities which are stated at fair value. Fair value is the amount for which an asset or a liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

2.3 Adoption of new standards, amendments and interpretations effective in 2018

New and revised standards and interpretations, issued but not yet effective, have been reviewed to identify the nature of the future changes in accounting policy and to estimate the effect of any necessary changes in the consolidated income statement and financial position upon their adoption.

The Federation has adopted the following new and amended IFRSs as of January 1, 2018:
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January1, 2018,retrospective application, earlier application permitted)
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018, retrospective application, earlier application permitted)

These amendments do not have a significant impact on the Federation's consolidated financial statements.

The following new or amended IFRS standards or interpretations have not yet been adopted but need to be adopted in financial statements issued for period starting January 1, 2019 or later:
- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019)
- Amendments to IAS 19 'Employee Benefits' (effective for annual periods beginning on or after 1 January 2019, earlier adoption permitted)
- Amendments to IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2019, earlier adoption permitted)

2.4 Basis of consolidation

The financial statements of the LWF are consolidated to include all departments of the Geneva Communion Office and branch offices of the Department for World Service.

Transactions between departments and between departments and branch offices as well as balances are eliminated.

a) Associated Programs
Former branch offices of the Department for World Service which have registered as legal entities under local country statutory regulations and are not legally controlled by the LWF have not been consolidated.

b) Related Parties
The Lutheran LWF Foundation for Inter-confessional Research with offices in Strasbourg, the LWF Foundation (Endowment Fund), have not been consolidated in the financial statements. They are separate legal entities with their own boards. LWF has representation on these boards but no controlling interest.

2.5 Restricted/unrestricted funds

The financial statements distinguish between Restricted and Unrestricted use funds. Restricted use funds are those funds received from third parties who have imposed restrictions on the purposes for which they may be used. Unrestricted use funds are those funds where there are no externally imposed restrictions and include assets freely available or appropriated to reserves for internally designated purposes.

2.6 Revenue and expenditure recognition

Restricted use funds are normally received as a result of a specific solicitation or with donor imposed restrictions and are recognized as income over the duration of the program/project in proportion to the achievement of the conditions attached to the contributions. Income for the year is therefore equal to expenditure. Contributions received but not yet recognized are included in Current Liabilities. Contributions not yet received relating to expenditure already recognized are included in Current Assets.

In some instances, in-kind contributions are recognized in the financial statements and an equal amount of expenditure is recorded. In-kind contributions are recorded at the value noted in the accompanying shipping documents upon receipt.

Membership fees are fixed by the LWF Council and are recognized in the year they fall due. The balances of memberships due at the end of the year are reviewed to reflect the probability of the amount to be cashed. This does not invalidate the obligation on members to pay the amounts owing.

Investment income is recognized on an accruals basis. The investment income together with foreign exchange gains and losses and gains and losses on investments is allocated between the various LWF departments according to the opening balance of reserves and net project/other grant balances. LWF Council in 2016 amended the methodology of allocation of net investment income effective from 2018, accordingly 20% of the net investment income is allocated to the LWF departments and balance 80% is allocated to a reserve aiming to level out financial future variations.

2.7 Area projects and general subsidies

Expenditure in respect of area projects in foreign countries is based upon remittances to respective local churches or organizations. In accordance with established practice, examination by the auditors has been made on the underlying documentation substantiating such transfers in conformity with the agreed list of projects in the composite statement of needs.

2.8 Foreign currency transactions

The consolidated financial statements are presented in EURO.

The presentation and functional currency of the LWF is the Euro. The books of account are maintained in Euro. Assets and liabilities, excluding securities and fixed assets, denominated in currencies other than the Euro have been translated at the December 31, 2018 rate of exchange per the European Commission “InforEuro” website. Foreign exchange gains/losses are included within the Financial Income section of the Consolidated Income and expenditure Statement.

Income and expenditure has been translated into Euro monthly using the previous month exchange rate per the European Commission “InforEuro” website. Exchange gains/losses resulting from the application of the accounting principles outlined above are credited/charged to the Statement of Income and Expenditure.

2.9 Derivative financial instruments

The LWF may, at certain times, use derivative financial instruments, comprising forward foreign exchange contracts to manage its exposure to foreign exchange risk. Derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is determined using quoted forward rates at the balance sheet date. Derivatives are not designated as effective accounting hedge instruments and as a result any gain or loss of fair value is recognized in the Income and Expenditure Statement.

2.10 Cash and cash equivalents

The LWF considers cash on hand, amounts due from banks and short-term deposits with banks to be cash and cash equivalents.

2.11 Financial assets

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), at fair value through other comprehensive income (FVOCI) and at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All regular way purchases and sales of financial assets are recognised at the settlement date i.e. the date that the asset is delivered to or by the Federation. Financial assets are classified as current assets, unless they are expected to be realised beyond twelve months of the balance sheet date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Federation has transferred substantially all risks and rewards of ownership.

Detailed disclosures can be found in Note 3.2 to the consolidated financial statements. Information on financial risk management is described in the Note 2.20

Dividends and interest earned are included in the line financial income.

a) Financial assets held for Trading
Assets held for trading are measured at fair value through Profit and Loss. A financial asset is classified in this category if acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated and effective hedging instruments. When recognised initially, they are measured at fair value, and transaction costs are expensed in the income statement. For held for trading investments, gains or losses are recognised in the income statement.

b) Loans and Receivables
Loans and receivables are measured at amortized cost.
Loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified in this category. They are carried at amortised cost using the effective interest method. For loans and receivables, gains or losses are recognised in the income statement when derecognised, impaired, or through the amortisation process. Loans and receivables are classified as accounts receivable in the balance sheet (see Note 3.4).

c) Held to maturity Investment
Held to maturity investments are measured at amortizes cost.
Debt securities with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Federation has the positive intention and ability to hold to maturity. These investments are measured at amortised cost using the effective interest method, less any impairment losses. For held-to-maturity investments, gains or losses are recognised in the income statement when derecognised, impaired, or through the amortisation process.

d) Financial Assets at Fair Value through other Comprehensive Income (FVOCI)
FVOCI are non-derivative financial assets that are designated as such or not classified in any of the other categories. They are measured initially at fair value, plus directly attributable transaction costs. At the end of each period, the book value is adjusted to the fair value with a corresponding entry in a separate component of equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. When denominated in a foreign currency, any monetary item is adjusted for the effect of any change in exchange rates with unrealised gain or loss booked in the income statement.

For quoted equity instruments, the fair value is the market value being calculated by reference to share exchange quoted selling prices at close of business on the balance sheet date. For non-quoted financial assets, they are re-valued at fair value based on observable market transactions and if not available based on prices given by reputable financial institutions or on the price of the latest transaction.

The Lutheran World Federation has no financial assets which belong to category d).

2.12 Inventories

Inventories purchased from Restricted use Funds are expensed in the year of purchase. Rights over inventories would not generate future economic benefit to the LWF due to the short term nature of program contracts and the terms of contracts where rights over residual program assets are vested with the grantors.

The only material inventories purchased from Unrestricted use Funds are held at the DWS program in Jerusalem. These inventories consist of medical supplies for the Augusta Victoria Hospital (AVH) that the program runs. They are accounted for at cost which does not exceed market value and recognized by the first-in, first-out method.

2.13 Fixed assets

a) Tangible

Tangible fixed assets purchased from Restricted use Funds are expensed in the year of purchase. It is considered improbable that such expenditures will generate future economic benefit to the LWF due to the short term nature of program contracts and the terms of contracts where rights over residual program assets are vested with the grantors.

Tangible assets at the Secretariat in Geneva, comprising computer equipment and associated software development costs, purchased from Unrestricted use Funds are capitalized and amortized as detailed in 2.14. Assets of a capital nature with a cost lower than €1,300 (laptops €1,000) are not capitalized.

Tangible assets in the Department for World Service located outside of Geneva and purchased from Unrestricted use Funds, comprising buildings and land improvements, vehicles and office equipment are capitalized and amortized as detailed in 2.14. Assets of a capital nature with a cost lower than €10,000 are not capitalized.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the Income and Expenditure Statement.

Repairs and maintenance costs are charged in the Income and Expenditure Statement during the financial period in which they are incurred.

Subsequent expenditure is capitalized only when it increases the probable future economic benefits of the asset.

b) Intangible

Acquired computer software at the Secretariat is capitalized on the basis of the costs incurred to acquire and bring the specific software to use. Amortization is calculated on the straight-line method as detailed in 2.14.

Costs associated with maintaining software are charged in the Income and Expenditure Statement during the financial period in which they are incurred.

2.14 Fixed assets - depreciation

a) Secretariat
Based on the past experience the fixed assets located in Geneva are depreciated using the straight-line method, over their estimated useful lives, as follow:

Office furniture & equipment	5 years
Computers equipment (except laptops)	4 years
Laptops	3 years

Depreciation for a full year commences in the year of purchase.

The useful lives are reviewed and adjusted if appropriate at each balance sheet date.

b) Field
Based on the past experience of the useful life expectancy, the rate of depreciation is set by each individual country program not to exceed the following rate per year by category:

Building	25 years
Plant & equipment	15 years
Vehicles	5 years
Office furniture & equipment	5 years
Computers	4 years

Depreciation for a full year commences in the year of purchase.

The useful lives are reviewed and adjusted if appropriate at each balance sheet date.

2.15 Impairment

The carrying amount of the LWF's assets, other than financial assets (see Notes 2.10, 2.11) and inventories (see Note 2.12), are reviewed at each balance sheet date to determine whether there is any indication of impairment or, if earlier, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of the asset's net selling price or its value in use. Impairment losses are recognized in the Income and Expenditure Statement.

An impairment loss is reversed if there is an upward revision of the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

2.16 Provisions

Provisions are recognized when there is a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle down that obligation, and the amounts can be reliably estimated.

2.17 Reserves

Reserves are classified as either Unrestricted or Restricted reserves. Unrestricted reserves are earmarked as detailed below:

a) General reserve
This reserve represents an unrestricted amount and is used to account for all resources over which the department has discretionary control. It can be used to cover ongoing commitments in case of emergencies.

b) Scholarship Fund/DMD Program Fund
These funds are to be used for the Department for Mission and Development.

c) Field designated funds
These various funds are available exclusively for use in each field program according to the definition of the fund.

d) Staff Fund Reserve
The fund was created in 2017 using the excess provision held for the payment of staff termination liability and the fund is restricted to be used for extraordinary or un expected staff costs**.**

e) Currency fluctuation Adjustment Reserve
The fund was created in 2017 as a dedicated reserve to be used to lessen the impact of exchange losses and gains**.**

2.18 Employee benefit costs

a) Employee termination/repatriation benefits/accrued vacation (ALTO)
Based on the contractual liability, these benefits are recognized proportionately and accrued over the employment period of the personnel. They exist to meet any termination and settling out expenses under present contractual LWF working conditions for both Geneva (assignment, leave and accrued vacation monetary equivalent) and country programs (ALTO – assignment, leave, termination for overseas staff) based staff.

b) Retirement benefit obligations
Until the end of December 2011, the LWF operated a single pension fund for expatriate field staff and all headquarters staff. Pension obligations were covered by independent funds which were held in a single, separate legal entity that is governed by Swiss law. On January 1, 2012 all the assets and liabilities of the fund were transferred to the Abendrot Foundation, Basel and the pension obligations were taken over by Abendrot. The LWF pension fund was liquidated in June 2014. For the purposes of these consolidated financial statements post–retirement pension costs have been accounted for in accordance with IAS 19 (see note 3.20).

Staff employed locally by the LWF, receive social benefits in accordance with the legislation of the countries concerned and the local collective staff agreements. The cost of such benefits is recognized on an accruals basis in these consolidated financial statements.

2.19 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership.
The LWF had no operating or financial leases of a material nature.

2.20 Financial risk management

The LWF is exposed to a variety of financial risks namely: market (including foreign currency risk and pricing risk); credit risk; liquidity risk and interest rate risk. The LWF seeks to actively minimize potential adverse effects arising from this exposure as detailed below.

a) Market risk

Foreign currency risk

Foreign currency risk arises primarily from contributions that are denominated in a currency other than Euro. The main currencies giving rise to this risk are the U.S. Dollar, Swiss Franc and Swedish Kroner. The LWF ensures that net exposure is kept to an acceptable level, by selling foreign currencies at spot rates where necessary to address short-term needs.

Foreign currency risk arises from non-Euro securities held in the investment portfolio and for which advice is given by professional investment managers.

Price risk

The LWF is exposed to securities price risk because of investments measured at fair value through profit and loss. Unrealized gains/losses arising from fluctuations in prices are actively monitored by professional investment managers. There is no exposure to commodity price risk.

b) Credit risk

The LWF's principal receivables are with its member churches, governmental and intergovernmental agencies where credit risk is considered to be low.

Securities transactions are held only with well-established banks and financial institutions. The funds are invested either in short term deposits or in premium securities.

The major risk in 2018 was in LWF Jerusalem with €37,527,524 of amounts receivable (2017 €37,015,708), the most significant being from the Palestinian Authority (PA) (2018 €29,040,205 and 2017 €30,040,052) in relation to provision of medical services and treatment to Palestinians through the Augusta Victoria Hospital (AVH).

To prevent the financial loss, the Lutheran World Federation (LWF) and the AVH, together with the LWF member churches and related agencies have continued the lobby and advocacy work to counter delays of payments from the Palestinian Authority, Ministry of health.

There is no other significant concentration of credit risk. The maximum exposure to credit risk is limited to the carrying amount of the monetary financial assets.

Credit ratings have been set as of April 2019.

Split of credit rating per individual financial institutions

	Credit rating LT/ST	31.12.2018	31.12.2017
Bank A	**Aa2/P-1**	1,359,877	1,716,546
Bank B	**-**	615,900	505,703
Bank C	**-**	0	9,807
Bank D	**-**	0	0
Bank E	**-**	126,825	199,932
Bank F	**A1/P-1**	5,450,301	6,545,925
Cash on hand	**N/A**	10,933	11,293
Misc banks	*	20,090,838	19,861,146
Total		**27,654,674**	**28,850,352**

* Cash in bank and on hand held locally by the DWS field offices.

c) Liquidity risk

Liquidity risk is minimized by maintaining sufficient funds as cash on hand, on-demand deposits or short-term deposits with maturities of three months or less to meet short-term liabilities. In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs.

d) Interest rate risk

There is no significant short-term exposure to changes in interest rates as cash and cash equivalents are held as cash on hand, on-demand deposits, or in short-term deposits with maturities of three months or less.

Exposure to interest rate fluctuations arises from the holdings of fixed income securities held for investment purposes. This is actively managed by the external investment portfolio managers.

e) Financial instrument by category

December 31, 2017	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for-sale	**Total**
Assets as per balance sheet					
Available-for-sale financial assets					**0**
Derivative financial instruments					**0**
Trade and other receivables	37,765,060				**37,765,060**
Other financial assets at fair value through profit or loss		5,753,905			**5,753,905**
Cash and cash equivalents	28,850,352				**28,850,352**
Total	**66,615,412**	**5,753,905**			**72,369,317**

December 31, 2018	Assets at fair value through the profit and loss	Amortised Cost	Assets at fair value through other Comprehesive Income		**Total**
Assets as per balance sheet					
Trade and other receivables		37,705,275			**37,705,275**
Other financial assets at fair value through profit or loss	8,720,206				**8,720,206**
Cash and cash equivalents		27,654,674			**27,654,674**
Total	**8,720,206**	**65,359,949**			**74,080,155**

3. Details relating to the Consolidated Financial statements

This section provides a breakdown of the main items on the Balance Sheet, Income and Expenditure Statement, the Cash Flow Statement and the Statement of Changes in Reserves.

3.1 Cash and short term deposits	**31.12.2018**	**31.12.2017**
Cash on hand and bank – Geneva	7,563,836	8,989,206
Cash on hand and bank – Field offices	20,090,838	19,861,146
Short term deposits		
Total	**27,654,674**	**28,850,352**

3.2 Financial assets at fair value through the P&L	31.12.2018	31.12.2017
Held for trading	8,720,206	5,753,905

3.3 Accounts receivable & prepayments	31.12.2018	31.12.2017
Membership fees	1,655,690	1,717,373
./. Prov. Membership fees	(1,644,130)	(1,717,373)
Accounts receivable	37,693,715	37,765,060
Prepayments	811,146	797,848
Total	**38,516,421**	**38,562,908**

3.4 Related parties

a) Identity of related parties

Related parties are detailed in Note 2.4.

The field programs that are associate programs are considered to be related parties with LWF-DWS. They are RDRS Bangladesh, LWD Cambodia, LWS India Trust, Indonesia, ELDS Malawi, Diaconia Peru, ELCSA South Africa, TCRS Tanzania, LDS Zimbabwe and Swaziland.

b) Transactions with related parties

The LWF maintains "inter-company" accounts with related parties and receives funds/makes payments on their behalf. At December 31, 2018 the balances outstanding with related parties were as follows:

Accounts payable to related agencies	31.12.2018	31.12.2017
Assembly	166,286	71,148
LWF Foundation	309,315	32,675
LWF Foundation for Inter-confessional Research (Strasbourg)	66,264	(8,928)
Balances with associated programs/ DWS Field office reconciling items	614,879	143,377
Total	**1,156,744**	**238,272**

The assembly balance is for the next assembly expenditures

During the year the LWF received €13,000 from the Lutheran LWF Foundation for Inter-confessional Research in Strasbourg for management charges for services rendered.

During the year the LWF received €108,004 on behalf of the former World Service programs for projects and €12,954 as reimbursement of expenses paid on behalf of others. The LWF paid €20,208 expenses for the former World Service programs and transferred €40,825 to the former World Service programs during 2018. At 31 December 2018, the LWF had outstanding payables to former World Service programs of €166,734.

Other than compensation arising in the ordinary course of business, there were no transactions with key management personnel or Council Members. No persons related or connected by business to them, have received any remuneration or other compensation from the LWF during the year.

3.5 Details of the program/projects balances

Program/Projects balances receivable	31.12.2018	31.12.2017
Gen. Sec./Dpt Planning and Ope.	32,898	0
Dpt Theology and Public Witness	96,113	92,174
Dpt for Mission and Development	1,109,913	1,605,414
Dpt for World Service	10,037,044	10,998'096
Total	**11,274,718**	**12,695,684**

Program/Projects balances payable (part of unexpended balances)	31.12.2018	31.12.2017
Dpt Theology and Public Witness	0	0
Dpt for Mission and Development	245,639	192,781
Dpt for World Service	17,353,485	15,809,657
Total	**17,599,124**	**16,002,438**

3.6 Interfund balances

This balance represents the total sum receivable/payable between the unrestricted and restricted funds resulting from the allocation of assets/liabilities. The amount is eliminated on consolidation.

3.7 Fixed Assets

Historical cost	Computers	Vehicles	Equipment	Land & Buildings	Furniture & Fittings	Total
Balance at Jan. 1, 2017	420,640	3,103,706	1,383,244	2,525,723	1	7,433,314
Additions at cost Geneva	11,802	0	0	0	0	11,802
Additions at cost Field offices	0	347,932	438,750	889,704	0	1,676,386
Disposals	0	(141,604)	13,014	0	0	(128,590)
Balance at Dec. 31, 2017	432,442	3,310,034	1,835,008	3,415,427	1	8,992,912
Depreciation						
Balance at Jan. 1, 2017	(399,823)	(2,458,309)	(1,035,412)	(1,296,855)	0	(5,190,399)
Charge for the year	(13,774)	0	0	0	0	(13,774)
DWS field office assets	0	(408,273)	(209,779)	(99,291)	0	(717,343)
Disposals	0	109,437	921	5,036	0	115,394
Balance at Dec. 31, 2017	(413,597)	(2,757,145)	(1,244,270)	(1,391,110)	0	(5,806,122)
Net book value Dec. 31,2017	**18,845**	**552,889**	**590,738**	**2,024,317**	**1**	**3,186,790**

Historical cost	Computers	Vehicles	Equipment	Land & Buildings	Furniture & Fittings	Total
Balance at Jan. 1, 2018	432,442	3,310,034	1,835,008	3,415,427	1	8,992,912
Additions at cost Geneva	28,565	0	0	0	0	28,565
Additions at cost Field offices	0	487,946	423,203	2,006,987	0	2,918,136
Disposals	(218,521)	(136,472)	0	0	0	(354,993)
Balance at Dec. 31, 2018	242,486	3,661,508	2,258,211	5,422,414	1	11,584,620
Depreciation						
Balance at Jan. 1, 2018	(413,597)	(2,757,145)	(1,244,270)	(1,391,110)	0	(5,806,122)
Charge for the year	(21,880)	0	0	0	0	(21,880)
DWS field office assets	0	(371,703)	(293,669)	(99,291)	0	(764,663)
Disposals	218,521	111,830	0	0	0	330,351
Balance at Dec. 31, 2018	(216,956)	(3,017,018)	(1,537,939)	(1,490,401)	0	(6,262,314)
Net book value Dec. 31,2018	**25,530**	**644,490**	**720,272**	**3,932,013**	**1**	**5,322,306**

3.8 Accounts payable and accrued charges

	31.12.2018	31.12.207
Accounts payable	9,015,898	10,084,430
Accrued charges	1,649,729	4,966,671
Total	**10,665,627**	**15,051,101**

3.9 Unexpended balances

	Note	31.12.2018	31.12.2017
Programs & projects	3.5	17,353,485	15,763,019
Cardwell Trust		68,800	65,821
RVOG comp. Funds		109,296	104,769
ELC Congo		2,288	2,288
JCMWA		6,859	8,145
DWS Global Emerg. Fund		46,638	46,638
Africa women and DMD ELCZ		11,758	11,758
Total		**17,599,124**	**16,002,438**

3.10 Provisions

	Long-term ALT	ALTO	TOTAL
Movement 2017			
Balance at Jan. 1, 2017	744,789	310,981	1,055,770
Creation	116,737	97,194	213,931
Reversal/release	(54,198)	(114,404)	(168,602)
Transfer to Staff Fund Reserve	(509,846)	0	(509,846)
Balance at Dec. 31, 2017	**297,482**	**293,771**	**591,253**

	Long-term ALT	ALTO	TOTAL
Movement 2018			
Balance at Jan. 1, 2018	297,482	293,771	591,253
Creation	91,390	134,761	226,150
Reversal/release	(156,912)	(161,977)	(318,889)
Transfer to Staff Fund Reserve	0	0	0
Balance at Dec. 31, 2018	**231,960**	**266,555**	**498,514**

3.11 Local staff funds

	31.12.2018	**31.12.2017**
Local staff funds – Other	7,283,549	7,028,678
Total	**7,283,549**	**7,028,678**

These amounts are restricted for field programs' local staff which can only be used as specified.

3.12 Programs & projects funded by the Lutheran World Federation's own funds

In 2018, €154,540 for Program Monitoring on projects were supported by the Lutheran World Federation's own funds (2017: NIL).

3.13 Net financial result	**2018**	**2017**
Financial assets at fair value through P&L		
- Fair value gains/(losses)	(215,958)	730,822
Net	**(215,958)**	**730,822**
Interest income on		
- Cash and short term deposits	47,903	85,139
- Financial assets at fair value through P&L	71,205	(1,068,625)
Total	**119,108**	**(983,486)**

3.14 Taxes

The LWF is exempt from Federal and Cantonal income taxes in Switzerland.

3.15 Augusta Victoria Hospital (AVH)

Cumulative expenditures in excess of project funding received for the repositioning exercise of the Augusta Victoria Hospital (AVH), Jerusalem, are €2.5 million through the end of 2018 (€2.6 million at the end of 2017). These excess expenditures are included in "Programs/project balances receivable" in the balance sheet of World Service as at December 31, 2018.

Annual net income from the Augusta Victoria Hospital property rental in excess of €124,000 is projected each year. These funds will be set against the accumulated excess of expenditure over funding.

3.16 Contingent Liabilities

Medical Malpractice claims – Jerusalem Program:
The Hospital purchases professional and general liability insurance policies to cover medical malpractice claims. In 2018, the limit of coverage amounted to $2,500,000 equivalent to €2,182,644 for each single claim.

According to the estimates by the insurers concerning these claims, the maximum liability of the Hospital in the medical malpractice claims outstanding at December 31, 2018, in the form of the excess (deductible) amounts the Hospital is required to settle in accordance with the terms of the insurance policies was €314,508.

3.17 Donations in kind

In some instances, in-kind contributions are recognized in the financial statements and an equal amount of expenditure is recorded. In 2018 and 2017 respectively, the amount included in revenue and expenditure related to in-kind contributions is €3’962’832 and €640,850. In-kind contributions are recorded at the value noted in the accompanying shipping documents upon receipt.

3.18 Capital commitments

There were no capital expenditure commitments at 31 December 2018.

3.19 Retirement benefit obligations

Headquarters and expatriate field staff (see note 2.18*b)* above).
All figures are in CHF.

a) Development of Obligations and Assets	***2018***	***2017***
Present value of funded obligation (BOY)	(44'934)	(46'849)
Change in consolidation scope	0	0
Employer Service Cost	(1'634)	(1'744)
Employee contributions	(519)	(518)
Past Service Cost I Plan amendments	0	297
Interest cost	(244)	(209)
Curtailments I settlements	0	0
Benefits paid	4'370	3'571
Increase to minimum liability	0	0
Actuarial gain (loss) on benefit obligation	468	518
Currency gain (loss)	0	0
Present value of funded obligation (EOY)	(42'493)	(44'934)
Defined benefit obligation participants	(13'866)	(15'085)
Defined benefit obligation pensioners	(28'627)	(29'849)
Fair value of plan assets (BOY)	42'405	40'336
Change in consolidation scope	0	0
Expected return on plan assets Employer's contributions Employees' contributions	230	179
Employer's contributions Employees' contributions	1'478	1'470
Employees' contributions	519	518
Curtailments I settlements	0	0
Benefits paid	(4'370)	(3'571)
Admin expense	(38)	(38)
Actuarial gain (loss) on plan assets	(2'489)	3'511
Currency gain (loss)	0	0
Fair value of plan assets (EOY)	37'735	42'405

b) Balance Sheet (EOY)	***31.12.2018***	***31.12.2017***
Fair value of plan assets	37'735	42'405
Defined benefit obligation	(42'493)	0
Funded status	(4'758)	(2'529)
Unrecognised asset due to IAS19 64	0	0
Unrecognized actuarial (gains) loss	0	0
Net asset In balance sheet	**(4'758)**	**(2'529)**
Deferred taxes (assumption 25%)	1'190	632
Retained earnings	(3'568)	(1'897)
Duration	11.0	11.2
Expected benefit payments following year	(2'902)	(2'962)

c) Profit & Loss Statement	***2018***	***2017***
Employer Service Cost	(1'634)	(1'744)
Interest cost	(244)	(209)
Expected return on plan assets	230	179
Admin expense	(38)	(38)
Past service cost recognised in year	0	297
Curtailment, settlement, plan amendment gain (loss)	0	0
Net periodic pension cost	(1'686)	(1'515)

d) Movements in net asset recognised in balance sheet

Net asset In balance sheet (BOY)	2018	2017
True-up opening balance sheet	0	0
Change in consolidation scope	0	0
Expense recognized in the profit & loss statement	(1'686)	(1'515)
Employer's contributions (following year expected contributions)	1'478	1'470
Prepaid (accrued) pension cost	(208)	(45)
whereof operating income (expense)	(194)	(15)
whereof financing income (expense)	(14)	(30)
Total gains I (losses) recognized in OCI	(2'021)	4'029
Net asset in balance sheet (EOY)	**(4'758)**	**(2'529)**
Actual return on plan assets	(2'259)	3'690
	-5.6%	8.9%
Expected employer's cash contributions for following year	1'485	1'412

e) Principal actuarial assumptions

	31.12.2018	31.12.2017
Discount rate	0.65%	0.55%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Credit rate on savings capital	0.65%	0.55%
Mortality tables used	BVG 2015 GT	BVG 2015 GT
Average retirement age	64/64	64/64
Average life expectancy of a pensioner at retirement		
-Women	25.64	25.53
-Men	23.55	23.44

f) Asset allocation

	31.12.2018	31.12.2017
Cash	6.70%	4.20%
Bonds (incl. Mortgages)	19.00%	21.40%
Equities	29.00%	30.70%
Property	29.30%	28.20%
Other	16.00%	15.50%
Total	100.00%	100.00%

To our knowledge all assets are quoted or traded with the exception of property (main part direct hold property) and mortgages of

2.9% in bonds. The different pieces in "other" (16.00%) are put together from 2.2% infrastructure, 2. 5% private equity, 5.1% private debt,

2.5% insurance linked securities and 3.7% mortgages/loans unsecured and abroad,

g) Defined benefit pension plans

	31.12.2018	31.12.2017
Remeasurements DBO	**468**	**518**
-actuarial gains *I* (losses) arising from plan experience	468	90
-actuarial gains *I* (losses) arising from demographic assumptions	0	0
- actuarial gains *I* (losses) arising from financial assumptions	0	428
Remeasurements Assets	**(2'489)**	**3'511**
Return on plan assets, excluding amount recongised in net interest	0	0
Changes in the effect of asset ceiling, excluding amount recongised in net interest	0	0
True-up of opening balance sheet	0	0
Total recognised in OCI	**(2'021)**	**4'029**

h) Sensitivities

	Change DBO	Change DBO
Discount rate + 0.25%	(949)	(1'022)
Discount rate- 0.25%	995	1'071
Salary increase + 0.25%	81	87
Salary increase- 0.25%	(60)	(86)
Pension increase + 0.25%	910	981

Staff employed locally

Staff employed locally by the LWF receives social benefits in accordance with the legislation of the countries concerned and the local collective staff agreements. The cost of such benefits is recognized on an accruals basis in these consolidated financial statements.

In the opinion of management, actuarial calculations would not have resulted in any material adjustments to these financial statements and the net periodic pension costs for these employees would have closely approximated the contributions.

3.20 Key management personnel costs

Day to day management of the organization has been delegated by the Council to the General Secretary and the Communion Office Leadership Team. Total compensation of the management team, including pension costs, amounted to CHF1,451,047 for the year (2017 CHF1,467,498).

3.21 Events after the balance sheet date

Between December 31, 2018 and the date of authorization for issue of the financial statements, there was no significant event which could have an impact on the figures for the year ended December 31, 2018.

3.22 LWF Staff Statics (FTE)

In 2018 LWF Employed a total of 2’781 regular staff, 73 staff in Geneva head quarter and 2’708 staff in LWF field offices.

3.23 Pension Liability

On 31th December 2018, the liability to the pension scheme amounted to CHF(1,401).

3.24 Audit Fees

The total audit fees paid in 2018 was €83,946 for audit of the LWF Geneva Head quarter including the consolidated reports and for other projects audits/ services.

For Country program audits and services LWF paid €445,683 in 2018.