The Lutheran World Federation
Geneva

Report of the statutory auditor
to the Council

on the consolidated financial statements 2019

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 Federation, which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Federation as at 31 December 2019 and its consolidated result of operations and its consolidated cash flows for the year then ended 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 Management 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 | Mathieu Everaere

Audit expert
Auditor in charge

Geneva, 13 May 2020

Enclosure:

- Consolidated financial statements (consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in reserves, consolidated statement of cash flows and notes)

THE LUTHERAN WORLD FEDERATION
CONSOLIDATED BALANCE SHEET
As at December 31, 2019
EURO

	Note	2019 Unrestricted	2019 Restricted	2019 Total	2018 Total
ASSETS					
Current Assets					
Cash & short term deposits	3.1	**30'074'637**	**-**	**30'074'637**	27'654'674
Financial assets - held for trading	3.2	**5'715'897**	**71'829**	**5'787'726**	8'720'206
Accounts receivable & prepayments	3.3	**34'218'978**	**20'897'416**	**55'116'394**	38'516'421
Programs/project balances receivable	3.5	**-**	**10'623'290**	**10'623'290**	11'274'718
Inventory		**3'811'892**	**-**	**3'811'892**	2'021'672
Interfund balances	3.6	**(3'544'054)**	**3'544'054**	**-**	-
Total Current Assets		**70'277'350**	**35'136'589**	**105'413'939**	88'187'691
Fixed Assets	3.7	**5'132'722**	**-**	**5'132'722**	5'322'306
Right of use	2.13c	**1'764'000**	**-**	**1'764'000**	-
TOTAL ASSETS		**77'174'072**	**35'136'589**	**112'310'661**	93'509'997
LIABILITIES AND RESERVES					
Current Liabilities					
Accounts payable & accrued charges	3.8	**753'637**	**8'993'456**	**9'747'093**	10'665'627
Accounts payable to related parties	3.4b	**296'705**	**709'776**	**1'006'481**	1'156'744
Unexpended balances	3.9	**-**	**16'612'673**	**16'612'673**	17'599'124
Lease liabilities	2.13c	**703'000**	**-**	**703'000**	-
Total Current Liabilities		**1'753'342**	**26'315'905**	**28'069'247**	29'421'495
Long Term Liabilities					
Local staff funds	3.11	**-**	**8'820'684**	**8'820'684**	7'283'549
Defined benefit liability		**2'033'000**	**-**	**2'033'000**	4'136'500
Long term provisions	3.10	**442'790**	**-**	**442'790**	498'514
Lease liabilities	2.13c	**1'061'000**	**-**	**1'061'000**	-
Total Long Term Liabilities		**3'536'790**	**8'820'684**	**12'357'474**	11'918'563
Total Liabilities		**5'290'132**	**35'136'589**	**40'426'721**	41'340'058
Reserves		**71'883'940**	**-**	**71'883'940**	52'169'939
TOTAL LIABILITIES AND RESERVES		**77'174'072**	**35'136'589**	**112'310'661**	93'509'997

THE LUTHERAN WORLD FEDERATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2019

EURO

	2019 Unrestricted					2019 Restricted					2018	2018
	Gen. Sec. & DPO	**DTPW**	**DMD**	**DWS**	**Total**	**Gen. Sec. & DPO**	**DTPW**	**DMD**	**DWS**	**Total**	**Grand Total**	Total
OPERATING INCOME												
Govt./Intergovt. & other grants	-	-	-	16'079'432	16'079'432	-	-	-	-	-	16'079'432	2'258'916
Member churches & related agencies support	274'783	-	68'338	2'104'250	2'447'371	-	1'451'368	5'766'463	36'321'610	43'539'441	45'986'812	45'072'350
Endowment Fund contribution	256'114	101'700	97'724	-	455'538	-	-	-	-	-	455'538	395'809
Other program support	7'625	57'756	-	-	65'381	-	-	66'891	94'663'127	94'730'018	94'795'399	90'128'546
Membership fees	1'984'209	339'444	331'374	-	2'655'027	-	-	-	-	-	2'655'027	2'728'546
Administration fees	-	-	-	2'501'854	2'501'854	-	-	-	-	-	2'501'854	2'429'007
Service fees	26'958	-	-	-	26'958	-	-	-	-	-	26'958	33'945
Language service fees	-	-	-	-	-	-	-	-	-	-	-	-
Non-project income	-	-	-	4'796'052	4'796'052	-	-	-	1'434'760	1'434'760	6'230'812	6'977'012
Other income	15'771	5'270	-	-	21'041	-	3'000	-	-	3'000	24'041	89'951
Total Operating Income	2'565'460	504'170	497'436	25'481'588	29'048'654	-	1'454'368	5'833'354	132'419'497	139'707'219	168'755'873	150'114'082
Operating Expenditure												
Staff related costs	3'149'584	1'154'310	1'910'010	3'073'740	9'287'644	-	-	-	-	-	9'287'644	8'850'875
Travel & representation	41'028	41'009	83'073	206'383	371'493	-	-	-	-	-	371'493	372'828
Other operating expenses	933'754	144'099	561'356	433'841	2'073'050	-	-	-	-	-	2'073'050	1'908'288
Non-project expenses	-	-	-	5'105'124	5'105'124	-	-	-	-	-	5'105'124	3'958'173
Program/project expenditure	-	401'346	-	103'605	504'951	-	-	3'443'144	132'419'497	135'862'641	136'367'592	131'174'454
Council & other governing bodies	247'486	-	2'545	2'218	252'249	-	-		-	-	252'249	291'201
Staff & office costs allocated to programs	-	(1'294'351)	(2'079'650)	-	(3'374'001)	-	1'294'351	2'079'650	-	3'374'001	-	-
Central services	(1'953'729)	-	-	609'581	(1'344'148)	-	160'017	310'560	-	470'577	(873'571)	(779'973)
Total Operating Expenditure	2'418'123	446'413	477'334	9'534'492	12'876'362	-	1'454'368	5'833'354	132'419'497	139'707'219	152'583'581	145'775'846
Operating Result	147'337	57'757	20'102	15'947'096	16'172'292	-	-	-	-	-	16'172'292	4'338'236
Financial Result												
Net fair value (losses)/gains	-	-	-	-	-	-	-	-	-	-	-	(215'959)
Interest income	-	-	-	-	-	-	-	-	-	-	-	47'905
Net exchange (losses)/gains	-	-	580	(7'372)	(6'792)	-	-	-	-	-	(6'792)	71'205
Total Financial Result	-	-	580	(7'372)	(6'792)	-	-	-	-	-	(6'792)	(96'849)
Bank charges	3'348	2'299	11'559	40'944	58'150	-	-	-	-	-	58'150	47'053
Net Financial Result	(3'348)	(2'299)	(10'979)	(48'316)	(64'942)	-	-	-	-	-	(64'942)	(143'902)
Comprehensive result for the year before Other comprehensive income/(expense)	143'989	55'458	9'123	15'898'780	16'107'350	-	-	-	-	-	16'107'350	4'194'334
Other comprehensive income/(expense) current year	-	-	-	-	-	-	-	-	-	-	2'183'500	(1'788'500)
Staff Fund allocated to Reserve	(77'518)	-	-	-	(77'518)	-	-	-	-	-	(77'518)	-
Financial result allocated to Reserve	1'500'669	-	-	-	1'500'669	-	-	-	-	-	1'500'669	(361'090)
Comprehensive result for the year	1'567'140	55'458	9'123	15'898'780	17'530'501	-	-	-	-	-	19'714'001	2'044'744

THE LUTHERAN WORLD FEDERATION

Consolidated statement of changes in reserves

Year Ended December 31, 2019

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, 2018	(1'338'961)	509'846	(321'051)	(1'150'166)	(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	**(1'115'778)**	**509'846**	**(682'141)**	**(1'288'073)**	**(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**

	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 01/01/19	1'593'561	509'846	(682'141)	1'421'266	1'123'231	399'637	490'600	93'070	2'106'538	538'204	6'137'522	640'401	585'000		-	44'877'552	52'240'475	56'306'483
Cummulated actuary result																		3'576'500
Cummulated Currency translation adjustment (CTA)																		(745'000)
Currency translation adjustment (CTA)																		438'986
IAS19	(2'709'339)	-	-	(2'709'339)	(1'888'180)	(0)	-	-	(1'888'180)	(949'179)	(1'860'332)	-		-	-	-	(1'860'332)	(7'407'030)
Balance at January 1, 2019	(1'115'778)	509'846	(682'141)	(1'288'073)	(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
Surplus/(deficit) for the year	170'714	(77'518)	1'500'669	1'593'865	24'837				24'837	64'954	156'485					15'770'360	15'926'845	17'610'501
Currency translation adjustment (CTA)																		(240'500)
IAS 19 adjustment	(26'725)			(26'725)	(15'714)				(15'714)	(9'496)	(28'065)						(28'065)	(80'000)
Actuary Result																		2'424'000
Internal reserve transfers																	-	-
Balance at December 31, 2019	**(971'789)**	**432'328**	**818'528**	**279'067**	**(755'826)**	**399'637**	**490'600**	**93'070**	**227'481**	**(355'517)**	**4'405'610**	**640'401**	**585'000**	**-**	**-**	**60'647'918**	**66'278'929**	**71'883'940**

THE LUTHERAN WORLD FEDERATION

Consolidated Statement of Cash Flow (total of all funds)

Year ended December 31, 2019

EURO

		2019	2018
Operating activities			
Result for the year before other comprehensive income/(expense)		**16'107'350**	4'194'334
Other comprehensive income/(expense)		**3'606'651**	(2'149'590)
Adjustments for:			
- Interest income	3.13	**-**	(47'905)
- Net exchange (gains)/losses	3.13	**6'792**	(71'205)
- Depreciation	3.7	**1'243'835**	786'543
Loss on fixed assets	3.7	**-**	24'642
Operating surplus before changes in working capital		**20'964'628**	2'736'819
Changes in working capital			
Net (increase)/decrease in operating assets			
Accounts receivable & prepayments	3.3	**(16'599'973)**	46'487
Programs/project balances receivable	3.5	**651'428**	1'420'966
Inventory		**(1'790'220)**	129'627
Net increase/(decrease) in operating liabilities			
Accounts payable & accrued charges	3.8	**(918'534)**	(4'385'474)
Accounts payable to related parties	3.4b	**(150'263)**	918'472
Unexpended balances	3.9	**(986'451)**	1'596'686
Local staff funds	3.11	**1'537'135**	254'871
Long term provision	3.10	**(55'724)**	(92'739)
Defined benefit liability		**(2'103'500)**	1'972'500
Net changes in working capital		**(20'416'102)**	1'861'396
Net cash generated from operating activities		**548'526**	4'598'215
Investing activities			
Interest income	3.13	**-**	47'905
Net exchange/(losses) gains	3.13	**(6'792)**	71'209
(Purchase)/maturity,sale of securities	3.2	**2'932'480**	(2'966'301)
Purchase of fixed assets	3.7	**(23'085)**	(28'570)
Purchase of fixed assets Field Offices	3.7	**(1'031'167)**	(2'918'136)
Increase in right of use	2.13c	**(1'764'000)**	-
Net cash (used in) investing activities		**107'436**	(5'793'893)
Financing activities			
Increase in lease liabilities	2.13c	**1'764'000**	-
Net cash (used in) financing activities		**1'764'000**	-
Net (decrease) in cash and cash equivalents		**2'419'962**	(1'195'678)
Cash & cash equivalents at the beginning of the year		**27'654'674**	28'850'352
Cash & cash equivalents at the end of the year		**30'074'637**	27'654'674

Notes to the Financial Statements for the year ended December 31, 2019

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 2019 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 (Country Programs)

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 Executive Committee meeting for approval at the Organization's EXCOM virtual Meeting to be held in June 2020 since the regular council meeting is cancelled due to COVID 19 situation.

These financial statements were authorized for issue on 13 May 2020 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 2019

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The group has changed its accounting policy for leases where the group is the lessee. The new policy is described in note 3.25 and the impact of the change in note 2.13.

Until 31 December 2018. leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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 investments gains and losses is allocated to reserves. LWF Council in 2016 amended the methodology of allocation of net investment income effective from 2019, the net investment income is allocated to the LWF reserves 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, 2019 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 3.3).

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.

c) Lease

(i) Amounts recognised in the balance sheet

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Additions to the right-of-use assets during the 2019 financial year were EUR 2,470,896

The balance sheet shows the following amounts relating to leases:

	31.12.2019 EUR'000	01.01.2019 EUR'000
Right-of-use assets		
Buildings	1,764	2,471
	1,764	2,471
Lease liabilities		
Current	703	707
Non-current	1,061	1,764
	1,764	2,471

- For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.3.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 EUR'000	2018 EUR'000
Depreciation charge of right-of-use assets	**(704)**	-
Interest expense (included in finance cost)	**(3)**	
	(707)	-

The total cash outflow for leases in 2019 was KEUR 707.

(iii) The group's leasing activities and how these are accounted for

The group leases the Geneva offices until the 30.06.2022. Contracts may contain both lease and non-lease components, however, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. As that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the discount rate to discount the pension liabilities and calculate by the actuary of LWF.

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.

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, Norwegian Kroner 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 2019 was in LWF Jerusalem with €59,732,737 of amounts receivable (2018 €37,527,524), the most significant being from the Palestinian Authority (PA) 2019 €43,286,212 and 2018 €29,040,205) 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 2020.

Split of credit rating per individual financial institutions

	Credit rating LT/ST	31.12.2019	31.12.2018
Bank A	**Aa3/P-1**	3,500,795	1,359,877
Bank B	-	126,864	615,900
Bank C	-	0	0
Bank D	-	0	0
Bank E	-	270,252	126,825
Bank F	**A1/P-1**	8,747,118	5,450,301
Cash on hand	**N/A**	12,751	10,933
Misc banks	*****	17,416,857	20,090,838
Total		**30,074,637**	**27,654,674**

* 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, 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**

December 31, 2019	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		54,652,086		**54,652,086**
Other financial assets at fair value through profit or loss	5,787,726			**5,787,726**
Cash and cash equivalents		30,074,637		**30,074,637**
Total	**5,787,726**	**84,726,723**		**90,514,449**

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	**31.12.2019**	**31.12.2018**
Cash on hand and bank – Geneva	12,657,780	7,563,836
Cash on hand and bank – Field offices	17,416,857	20,090,838
Short term deposits		
Total	**30,074,637**	**27,654,674**

3.2 Financial assets at fair value through the P&L	**31.12.2019**	**31.12.2018**
Held for trading	5,787,726	8,720,206

3.3 Accounts receivable & prepayments	**31.12.2019**	**31.12.2018**
Membership fees	1,636,617	1,655,690
./. Prov. Membership fees	(1,624,957)	(1,644,130)
Accounts receivable	54,640,426	37,693,715
Prepayments	464,308	811,146
Total	**55,116,394**	**38,516,421**

3.4 Related parties

a) Identity of related parties

Related parties are detailed in Note 2.4.

The field programs that are former World Service 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, 2019 the balances outstanding with related parties were as follows:

Accounts payable to related agencies	**31.12.2019**	**31.12.2018**
Assembly	265,488	166,286
LWF Foundation	12,048	309,315
LWF Foundation for Inter-confessional Research (Strasbourg)	19,169	66,264
Balances with associated programs/ DWS Field office reconciling items	709,776	614,879
Total	**1'006'481**	**1'156'744**

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 € 123,336 on behalf of the former World Service programs for projects and € 192 as reimbursement of expenses paid on behalf of others. The LWF paid € 3,301 expenses for the former World Service programs and transferred € 50,000 to the programs during 2019. At 31 December 2019, the LWF had outstanding payables to former World Service programs of € 243,179

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	**31.12.2019**	**31.12.2018**
Gen. Sec./Dpt Planning and Ope.	30,373	32,898
Dpt Theology and Public Witness	108,975	96,113
Dpt for Mission and Development	722,737	1,109,913
Dpt for World Service	9,761,205	10,037,044
Total	**10,623,290**	**11,274,718**

Program/Projects balances payable (part of unexpended balances)	**31.12.2019**	**31.12.2018**
Dpt Theology and Public Witness	0	0
Dpt for Mission and Development	249,373	245,639
Dpt for World Service	16,363,300	17,353,485
Total	**16,612,673**	**17,599,124**

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, 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)	(3,017,01)	(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**

Historical cost	Computers	Vehicles	Equipment	Land & Buildings	Furniture & Fittings	Total
Balance at Jan. 1, 2019	242,486	3,661,508	2,258,211	5,422,414	1	11,584,620
Additions at cost Geneva	23,084	36,848	(36,848)	0	0	23,084
Additions at cost Field offices	0	203,512	263,222	564,433	0	1,031,167
Disposals	0	(60,197)	0	0	0	(60,197)
Balance at Dec. 31, 2019	265,570	3,841,671	2,484,585	5,986,847	1	12,578,674
Depreciation						
Balance at Jan. 1, 2019	(216,956)	(3,017,018)	(1,537,939)	(1,490,401)	0	(6,262,314)
Charge for the year	(19,515)	(435,735)	(300,813)	(487,772)	0	(1.243,835)
DWS field office assets	0	0	0	0	0	0
Disposals	0	60,197	0	0	0	60,197
Balance at Dec. 31, 2019	(236,471)	(3,392,556)	(1,838,752)	(1,978,173)	0	(7,445,952)
Net book value Dec. 31,2019	**29,099**	**449,115**	**645,833**	**4,008,674**	**1**	**5,132,722**

3.8 Accounts payable and accrued charges

	31.12.2019	**31.12.2018**
Accounts payable	7,456,462	9,015,898
Accrued charges	2,290,631	1,649,729
Total	**9,747,093**	**10,665,627**

3.9 Unexpended balances

	Note	31.12.2019	31.12.2018
Programs & projects	3.5	16,363,300	17,353,485
Cardwell Trust		70,553	68,800
RVOG comp. Funds		111,962	109,296
ELC Congo		2,288	2,288
JCMWA		6,174	6,859
DWS Global Emerg. Fund		46,638	46,638
Africa women and DMD ELCZ		11,758	11,758
Total		**16,612,673**	**17,599,124**

3.10 Provisions

	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**
Movement 2019			
Balance at Jan. 1, 2019	231,960	266,555	498,514
Creation	116,048	124,619	240,668
Reversal/release	(148,447)	(147,945)	(296,392)
Balance at Dec. 31, 2019	**199,561**	**243,229**	**442,790**

3.11 Local staff funds

	31.12.2019	31.12.2018
Local staff funds – Other	8,820,684	7,283,549
Total	**8,820,684**	**7,283,549**

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 2019, €103,605 for Program Monitoring on projects were supported by the Lutheran World Federation's own funds (2018: €154,540).

3.13 Net financial result	**2019**	**2018**
Financial assets at fair value through P&L		
- Fair value gains/(losses)	1,500,669	(215,958)
Net	**1,500.669**	**(215,958)**
Interest income on		
- Cash and short term deposits	0	47,903
- Net exchange (losses)/gains	(6,792)	71,205
Total	**(6,792)**	**119,108**

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 €2.4 million through the end of 2019 (€2.5 million at the end of 2018). These excess expenditures are included in "Programs/project balances receivable" in the balance sheet of World Service as at December 31, 2019.

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

a)Medical Malpractice claims – Jerusalem Program:

The Hospital purchases professional and general liability insurance policies to cover medical malpractice claims. In 2019, the limit of coverage amounted to $ 2,500,000 equivalent to € 2,234,337 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, 2019, in the form of the excess (deductible) amounts the Hospital is required to settle in accordance with the terms of the insurance policies, was € 241,773.

b) Unpaid Terminal Benefits - South Sudan Program:

As at 31st December 2019, the program had one pending lawsuit relating to a legal claim by its former staff, claiming unpaid benefits amounting to € 123,798 that were deducted as taxes by the National Revenue Authority. The amount is based on the claim by the plaintiff. Judgement of the case had not been determined by 31st December 2019. Management believes that this claim will not be successful and consequently no provisions have been made in this financial statement.

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 2019 and 2018 respectively, the amount included in revenue and expenditure related to in-kind contributions is €1,324,968 and is €3’962’832. 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 2019.

3.19 Retirement benefit obligations

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

IAS 19 (revised 2011): Disclosure Note	***CHF*** **1'000**	***CHF*** **1'000**
1. Development of Obligations and Assets		
	2018	**2019**
Present value of funded obligation (BOY)	(44'934)	(42'493)
Change in consolidation scope	0	0
Employer Service Cost	(1'634)	(1'777)
Employee contributions	(519)	(549)
Past Service Cost *I* Plan amendments	0	263
Interest cost	(244)	(273)
Curtailments/ settlements	0	0
Benefits paid	4'370	1'773
Increase to minimum liability	0	0
Actuarial gain (loss) on benefit obligation	468	(1'184)
Currency gain (loss)	0	0
Present value of funded obligation (EOY)	(42'493)	(44'240)
Defined benefit obligation participants	(13'866)	(15'674)
Defined benefit obligation pensioners	(28'627)	(28'566)
Fair value of plan assets (BOY)	42'405	37735
Change in consolidation scope	0	0
Expected return on plan assets	230	242
Employer's contributions	1'478	1'495
Employees' contributions	519	549
Curtailments / settlements	0	0
Benefits paid	(4'370)	(1'773)
Admin expense	(38)	(37)
Actuarial gain (loss) on plan assets	(2'489)	3'819
Currency gain (loss)	0	0
Fair value of plan assets (EOY)	37'735	42'030

2. ***Balance Sheet (EOY)***	***31 12.2018***	***31.12.2019***
Fair value of plan assets	37'735	42'030
Defined benefit obligation	(42'493)	(44'240)
Funded status	(4'758)	(2'210)
Unrecognised asset due to IAS19.64	0	0
Unrecognized actuarial (gains) loss	0.	0.
Net asset in balance sheet	**(4'758)**	**(2'210)**
Deferred taxes (assumption 25%)	1'190	553
Retained earnings	**(3'568)**	**(1'657)**
Duration	11.0	11.1
Expected benefit payments following year	(2'902)	(2'939)

3. Profit & Loss Statemf!nt	**2018**	***2019***
Employer Service Cost	(1'634)	(1'777)
Interest cost	(244)	(273)
Expected return on plan assets	230	242
Admin expense	(38)	(37)

Past service cost recognised in year	0	263
Curtailment, settlement, plan amendment gain (loss)	0	0
Net periodic pension cost	**(1'686)**	**(1'582)**

4. Movements in net asset recognised in balance sheet

Net asset in balance sheet (BOY)	**(2'529)**	**(4'758)**
True-up opening balance sheet	0	0
Change in consolidation scope	0	0
Expense recognised in the profit & loss statement	(1'686)	(1'582)
Employer's contributions (following year expected contributions)		
Prepaid (accrued) pension cost	(208)	(87)
whereof operating income (expense)	(194)	(56)
whereoffinancing income (expense)	(14)	(31)
Total gains/ (losses) recognized in OCI	**(2'021)**	**2'635**
Net asset In balance sheet (EOY)	**(4'758)**	**(2'210)**
Actual return on plan assets	(2'259)	4'061
	-5.6%	10.2%
Expected employer's cash contributions for following year	1'485	1'485

IAS 19 (revised 2011): Disclosure Note

5. Principal actuarial assumptions

	***CHF* 1'000**	***CHF* 1'000**
	31-12-2018	***31-12-2019***
Discount rate	0.65%	0.15%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Credit **rate** on savings capital	0.65%	0.15%
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 75
- Men	23.55	23.66

6. Asset allocation	***31.12.2018***	***31-12-2019***
Cash	6.70%	5.20%
Bonds (inkl. Mortgages)	19.00%	17.10%
Equities	29.00%	29.80%
Property	29.30%	29.70%
Other	16.00%	18.20%
Total	100.0%	100.0%

To our knowledge all assets are quoted or traded with the exception of property (main part direct hold property) and mortgages of 2.7% in bonds. The different pieces in "other" (18.20%) are put together from 2.7% infrastructure, 3.8% private equity, 6.3% private debt, 2.2% insurance linked securities and 3.2% mortgages oans unsecured and abroad.

7. ***Defined benefit pension plans***	***31 12.2018***	***31.12.2019***
Remeasurements DBO	**468**	**(1'184)**
- actuarial gains / (losses) arising from plan experience	75	757
- actuarial gains / (losses) arising from demographic assumptions	0	0
- actuarial gains / (losses) arising from financial assumptions	393	(1'941)
Remeasurements Assets	**(2'489)**	**3'819**
Return on plan assets, excluding amount recongised in net interest	0	0
Changes in the effect of asset ceiling, excluding amount recongised in net inte	0	0
True-up of opening balance sheet	Q	ll
Total recognised In OCI	**(2'021)**	**2'635**

8. Sensitivities		***changeDBO***
Discount rate + 0.25%	(949)	(993)
Discount rate - 0.25%; proj 0.00% (31.12.2019)	995	1'129
Salary increase+ 0.25%	81	90
Salary increase - 0.25%	(80)	(88)
pension increase + 0.25%	910	914
pension increase - O 25% (not lower than 0%)		

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 CHF1,239,748 for the year (2018 CHF1,451,047).

3.21 Events after the balance sheet date

Risks associated with the Coronavirus Outbreak:
As a result of the spread of the COVID-19 virus the LWF Communion Office General Secretary set up a task force in March 2020 under the leadership of LWF/DWS Director Ms Maria Immonen. Several measures have been implemented that have helped the Communion Office to progressively adapt to the measures ordered by the authorities (federal, cantonal and WHO) and anticipate the evolution of the pandemic. The task force has been pursuing a triple objective:
1) ensure the safety of 3038 staff and the continuity of our operations;
2) ensure the safety of meetings/ courses/workshops/public discussions/fellowship participants, and
3) ensure that the LWF Communion office acts as a responsible actor to help reduce the spread and impact of COVID-19.
The task force is endeavouring to minimise the impact of the virus on the Organization's activities including working from home for all staff, adjustment of the management systems, and rescheduling of activities and priorities. The final impact of the COVID-19 virus on the LWF Communion Office activities cannot be currently determined as it depends on the duration of the pandemic.

3.22 LWF Staff Statics (FTE)

In 2019 LWF Employed a total of 3,038 regular staff, 73 staff in Geneva head quarter and 2’965 staff in LWF field offices.

3.23 Pension Liability

On 31th December 2019, the liability to the pension scheme amounted to EUR 47,378.

3.24 Audit Fees

The total audit fees paid in 2019 was €70,594 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 €491,042 in 2019.

3.25 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements. As indicated in 2.3, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.13.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's discount rate for Pension Liabilities as of 1 January 2019. This rate applied to the lease liabilities on 1 January 2019 was 0.15%.

(i)Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

• accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

• excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation for determining whether an arrangement contains a lease.

To be noted that DWS Country Programs are renting buildings and vehicles locally. All rental agreements have an initial duration of 12 months or less and are automatically reconducted each year for another term of maximum 12 months.

Based on historical practices and considering that most of the projects implemented in the Country Programs have a maximum duration of 12 months, the most likely probable duration of these rental agreements cannot exceed 12 months. Consequently, the lease payments associated with these short-term leases are recognised as an expense on a straight-line basis over the lease term by application of the practical expedient mentioned above.

The potential future lease payments for the year 2020 (12 months fixed rental costs) have been estimated by category, as follow:

	2019 KEUR
Building	1,164
Vehicles	68
	1,232

(ii)Measurement of lease liabilities

	2019 KEUR
Contracts reassessed as lease contracts	2,471
Lease liability recognised as at 1 January 2019	**2,471**
Of which are:	
Current lease liabilities	707
Non-current lease liabilities	1,764
	2,471

(iii)Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv)Adjustments recognised in the balance sheet on 1 January 2019
The change in accounting policy affected the following items in the balance sheet on 1 January 2019:
• right-of-use assets – increase by EUR 2,470,896
• lease liabilities – increase by EUR 2,470,896

3.26 Expenditures allocated in accordance with ZEWO classification (standard 9)

Zewo classification	**Project related expenditures**	**Fundraising related expenditures**	**Administrative related expenditures**
Staff related expenditures	3'064'320	1'505'254	4'710'375
Operating expenditures (other than payroll)	136'316'300	330'714	5'470'933
Contributions made to implementing partners	0	0	0
Depreciation of fixed assets	0	0	1'243'835
TOTAL EXPENSES	**139'380'620**	**1'835'968**	**11'425'143**
Share of each category in %	*91%*	*1%*	*8%*