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FINANCIAL STATEMENT

Financial Statements with
Independent Auditor's Report
June 30, 2024

LCMS Foundation
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Lutheran Church-Missouri Synod Foundation
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of The Lutheran Church-Missouri Synod Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lutheran Church-Missouri Synod Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Lutheran Church-Missouri Synod Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Lutheran Church-Missouri Synod Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Lutheran Church-Missouri Synod Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Lutheran Church-Missouri Synod Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Armanino LLP

Armanino^{LLP}
St. Louis, Missouri

September 18, 2024

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Statements of Financial Position

June 30, 2024 and 2023

(in thousands)	2024	2023
ASSETS		
Cash and cash equivalents	\$ 29,068	\$ 28,734
Accrued interest and dividends receivable	3,059	2,810
Investments	1,264,956	1,109,016
Real estate held for sale	4,645	3,775
Notes and loans receivable	470	484
Land, building, and equipment, net of accumulated depreciation and amortization	922	901
Real estate held in custody	6,250	5,683
Beneficial interest in charitable trusts	1,486	1,439
Other assets	7,390	7,722
TOTAL ASSETS	\$ 1,318,246	\$ 1,160,564
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 702	\$ 708
Trust and other liabilities due to:		
Life Income	160,730	143,559
Gift Annuity	17,486	17,634
Held in: Endowment	208,642	188,877
Custodial	847,610	727,957
Agency	7,807	11,263
Total Trust and Other Liabilities	1,242,275	1,089,290
Total Liabilities	1,242,977	1,089,998
Net Assets		
Without Donor Restrictions		
Undesignated	6,401	6,031
Foundation Designated	42,777	40,307
	49,178	46,338
With Donor Restrictions		
Temporarily in Nature	9,962	8,358
Perpetual in Nature	16,129	15,870
	26,091	24,228
Total Net Assets	75,269	70,566
TOTAL LIABILITIES AND NET ASSETS	\$ 1,318,246	\$ 1,160,564

The accompanying notes are an integral part of these financial statements.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Statement of Activities

Year ended June 30, 2024

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Direct gifts	\$ 1,637	\$ -	\$ 1,637
Gifts-new agreements	2,672	404	3,076
Fee revenue	9,971	-	9,971
Investment income	1,153	-	1,153
Other income	4	-	4
Net assets released from restrictions	347	(347)	-
Total support and revenue	15,784	57	15,841
Operating Expenses:			
Planned giving	4,000	-	4,000
Trust services	2,478	-	2,478
Donor-advised, insurance services	3,642	-	3,642
Marketing and communication	1,004	-	1,004
Investment services	959	-	959
Management and general	2,754	-	2,754
Total operating expenses	14,837	-	14,837
NET OPERATING INCOME	947	57	1,004
Other Income (Loss):			
Net realized and unrealized gains on investments and real estate	1,433	-	1,433
Change in value of irrevocable deferred gifts	1,079	1,806	2,885
Transfers to gift annuity reserve	(619)	-	(619)
TOTAL OTHER INCOME (LOSS)	1,893	1,806	3,699
CHANGE IN NET ASSETS	2,840	1,863	4,703
Net assets at beginning of year	46,338	24,228	70,566
Net assets at end of year	\$ 49,178	\$ 26,091	\$ 75,269

The accompanying notes are an integral part of these financial statements.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Statement of Activities

Year ended June 30, 2023

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Direct gifts	\$ 503	\$ -	\$ 503
Gifts-new agreements	2,225	662	2,887
Fee revenue	8,243	-	8,243
Investment income	1,445	-	1,445
Other income	3	-	3
Net assets released from restrictions	552	(552)	-
Total support and revenue	12,971	110	13,081
Operating Expenses:			
Planned giving	3,659	-	3,659
Trust services	2,418	-	2,418
Donor-advised, insurance services	3,087	-	3,087
Marketing and communication	1,005	-	1,005
Investment services	985	-	985
Management and general	2,552	-	2,552
Total operating expenses	13,706	-	13,706
NET OPERATING INCOME	(735)	110	(625)
Other Income (Loss):			
Net realized and unrealized losses on investments and real estate	912	-	912
Change in value of irrevocable deferred gifts	517	1,236	1,753
Transfers to gift annuity reserve	(4,635)	-	(4,635)
TOTAL OTHER INCOME (LOSS)	(3,206)	1,236	(1,970)
CHANGE IN NET ASSETS	(3,941)	1,346	(2,595)
Net assets at beginning of year	50,279	22,882	73,161
Net assets at end of year	\$ 46,338	\$ 24,228	\$ 70,566

The accompanying notes are an integral part of these financial statements.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Statement of Functional Expenses

Year ended June 30, 2024

(in thousands)	Program Services						Supporting Services		Total Expenses
	Donor-Advised/		Insurance Services	Marketing & Communication	Investment Services	Total Program Expense	Management & General		
	Planned Giving	Trust Services							
Salaries and Wages	\$ 2,454	\$ 1,575	\$ -	\$ 507	\$ 570	\$ 5,106	\$ 1,238	\$ 6,344	
Employee Benefits	780	514	-	141	142	1,577	222	1,799	
Payroll Taxes	139	116	-	37	44	336	78	414	
Travel and Meeting	189	2	-	11	7	209	39	248	
Staff Development Resources	66	6	-	-	1	73	5	78	
Professional Services	58	25	-	11	150	244	189	433	
Information Technology	9	14	-	55	-	78	450	528	
Business Services	48	53	-	35	-	136	47	183	
Equipment	-	-	-	9	-	9	20	29	
Depreciation	23	-	-	-	-	23	95	118	
Supplies, Repairs & Maintenance	35	6	-	-	-	41	7	48	
Insurance	130	69	-	19	18	236	37	273	
Advertising and Promotion	-	-	-	151	-	151	-	151	
Telephone	6	5	-	1	1	13	5	18	
Other	63	93	-	27	26	209	322	531	
Distributions	-	-	3,642	-	-	3,642	-	3,642	
Total Functional Expenses	\$ 4,000	\$ 2,478	\$ 3,642	\$ 1,004	\$ 959	\$ 12,083	\$ 2,754	\$ 14,837	

The accompanying notes are an integral part of these financial statements.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Statement of Functional Expenses

Year ended June 30, 2023

(In thousands)	Program Services						Supporting Services		
	Donor-Advised/						Total Program Expense	Management & General	Total Expenses
	Planned Giving	Trust Services	Insurance Services	Marketing & Communication	Investment Services				
Salaries and Wages	\$ 2,229	\$ 1,543	\$ -	\$ 453	\$ 585	\$ 4,810	\$ 1,117	\$ 5,927	
Employee Benefits	647	492	-	135	153	1,427	222	1,649	
Payroll Taxes	134	111	-	34	45	324	69	393	
Travel and Meeting	215	4	-	14	14	247	44	291	
Staff Development Resources	59	10	-	-	-	69	7	76	
Professional Services	71	27	-	28	140	266	245	511	
Information Technology	10	14	-	57	-	81	435	516	
Business Services	45	43	-	67	-	155	42	197	
Equipment	-	-	-	9	-	9	67	76	
Depreciation	22	-	-	-	-	22	96	118	
Supplies, Repairs & Maintenance	38	4	-	-	-	42	2	44	
Insurance	123	71	-	20	20	234	37	271	
Advertising and Promotion	-	-	-	160	-	160	1.00	161	
Telephone	5	5	-	1	1	12	6	18	
Other	61	94	-	27	27	209	162	371	
Distributions	-	-	3,087	-	-	3,087	-	3,087	
Total Functional Expenses	\$ 3,659	\$ 2,418	\$ 3,087	\$ 1,005	\$ 985	\$ 11,154	\$ 2,552	\$ 13,706	

The accompanying notes are an integral part of these financial statements.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Statement of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,703	\$ (2,595)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118	118
Net realized and unrealized loss on investments	(1,433)	(912)
Changes in assets and liabilities		
Accrued interest and dividends receivable	(249)	(722)
Investments	(154,454)	(26,170)
Real estate held for sale and in custody	(1,437)	-
Notes and loans receivable	14	13
Beneficial interest in charitable trusts	(47)	(17)
Other assets	332	(1,743)
Accounts payable and accrued expenses	(6)	38
Trust and other liabilities due to:		
Life income and gift annuities	17,023	5,857
Endowment, custodial, and agency accounts	135,962	28,283
Net cash provided by operating activities	526	2,150
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (additions) to capital assets	(139)	(57)
Payment of notes and loans receivable	-	4
Purchase of investment securities	(3,244)	(5,874)
Proceeds from sale of investment securities	3,191	10,129
Net cash used in (provided by) investing activities	(192)	4,202
INCREASE IN CASH AND CASH EQUIVALENTS	334	6,352
Cash and cash equivalents, beginning of the year	28,734	22,382
Cash and cash equivalents, end of the year	\$ 29,068	\$ 28,734

The accompanying notes are an integral part of these financial statements.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements

June 30, 2024

Note A - Summary of Organization and Significant Accounting Policies

The Lutheran Church–Missouri Synod Foundation (the “Foundation”) assists individuals and church ministries by raising and managing gifts and assets to support Christ’s mission through The Lutheran Church–Missouri Synod (the “Synod”) and to accomplish personal and corporate stewardship goals. The Foundation is administered by a Board of Trustees that are elected by the members of the Foundation.

Within the Foundation, trust services, investment services, and gift planning services are provided to the Synod and related agencies and entities. Within customer support, trust services generate trustee fees. Investment services within the Finance Department generate management fees. Gift planning services operate on a partial cost reimbursement basis.

The Foundation carries out its investment management services through various common funds to invest the assets entrusted to the Foundation. A common fund pools the assets of numerous smaller accounts to provide for greater diversification and ease of investment management. Holders of a common fund are called participants. Participants buy and sell units of the common fund asset. In order to determine the price per unit of a common fund, all assets held by the common fund (which can include individual securities or units of other common funds) are valued as of the end of the month (the valuation date). This value is divided by the total number of units held by the participants in the common fund to determine the per unit value. Transactions in the common fund (either purchases or redemptions) are calculated based on the per unit value on the valuation date.

During the valuation process, the common funds accrue income and expenses for the valuation period. The net income to the funds is divided by the total number of units held by participants for the valuation period to establish the income per unit factor. Each participant receives an allocation of the net income determined by multiplying the income per unit factor times the number of units held by the participant of the common fund. Net realized and termination gains in Foundation common funds are also calculated and distributed annually to the participants.

The Foundation maintains a Statement of Investment Policies and Objectives that governs the overall investment policy, objectives, structure, and guidelines for the Foundation’s investments. Included in the guidelines are restrictions governing the management of all investments held in separate accounts specifically for the benefit of the Foundation. All investment managers are monitored for adherence to the Statement of Investment Policies and Objectives by the Foundation with the assistance of its investment consultant.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note A - Summary of Organization and Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. The Foundation is required to report information regarding its financial position and activities as net assets without donor restrictions or net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets available for use in the general operations of the Foundation, and include revenue from fees, certain investment income and all gifts, grants and contributions not restricted by the donor. At the discretion of the Board, net assets without donor restrictions are available for use in the Foundation's operations.

Expenses related to the daily administration and operations of the Foundation are recorded in net assets without donor restrictions. The proceeds from matured trust agreements that are held for the benefit of the Foundation or that are undesignated as to a specific beneficiary are transferred to net assets without donor restrictions. The Foundation also receives gifts and other undesignated income. After providing for operating expenses, the remainder is available for distribution at the direction of the Board of Trustees of the Foundation.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions are either temporary or perpetual in nature. Temporary donor-imposed restrictions will be met by events specified by the donor or the passage of time. Perpetual donor-imposed restrictions are indefinite, with the income from the contribution being available for expenditure, as defined by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose for which the resource was restricted has been fulfilled.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Such net assets consist of trusts valued at the present value (discounted at 3.5% at June 30, 2024 and 2023) of future gifts from irrevocable trusts held by the Foundation which name the Foundation as beneficiary.

Net assets with donor restrictions include the current value of a perpetual trust from which the Foundation is to receive the income in perpetuity. The principal is held in trust by a third party and will never revert to the Foundation.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note A - Summary of Organization and Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions (Continued)

The perpetual stream of income is viewed by the Foundation as a promise to give by the individual who established the trust and has been recorded at the fair value of the trust at June 30, 2024 and 2023, which closely approximates the net present value of the income stream, in perpetuity. Given the nature of the promise, the Foundation recorded this contribution as net assets with perpetual donor restrictions.

Income received is recorded based on the presence or absence of donor restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers currency, demand deposits, and liquid investments with a maturity of three months or less to be cash equivalents. The Foundation maintains cash balances at various major domestic financial institutions in amounts that at times may exceed federally insured limits. The Foundation has not incurred any losses as a result of the excess balances.

Investments

Investments of the Foundation are held at a custodial bank. Investments include marketable fixed income and equity securities, as well as units in assorted mutual funds and/or commingled investment vehicles. All investments are stated at fair market value as determined by authorized pricing sources for the custodial bank. The custodial bank records transactions involving the Foundation's investments on the date the securities are purchased or sold. Income is accrued as earned and posted as collected by the custodial bank. Realized gains and losses on the sale of investments are the differences between the proceeds received and the cost of the securities sold. Gains and losses, both realized and unrealized, are recognized in the statement of activities for those assets owned by the Foundation.

Real Estate Held

Real estate is initially recorded at its appraised value at the date of the gift. Real estate is carried at the lower of appraised or market value. Real estate can be held for immediate sale, or in custody for longer periods per a managed gift agreement.

Property and Equipment

Property and equipment is carried at cost and depreciated over their estimated useful lives. The useful lives of property and equipment range from 3 to 20 years. Major renewals and betterments over \$5,000 are capitalized, and maintenance and repairs which do not improve or extend the life of the respective assets are charged against operations in the current period.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note A - Summary of Organization and Significant Accounting Policies (Continued)

Other Assets

The Foundation is the owner and beneficiary of certain insurance policies that have been gifted over a number of years. The policies are carried at the cash surrender value, which represents the amount that would be received by the Foundation if the policies were surrendered. The insurance policies are gifts to the Foundation that are without donor restrictions. They are accompanied by “letters of request” from the donors who request that the proceeds from the insurance policies go to specific ministries. The “letters of request” are not binding on the Foundation for the purpose of financial reporting. The insurance policies are reflected in the financial statements under other assets (Note E).

Financial Instruments

FASB ASC 825, *Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which it is practicable to estimate fair value. Financial instruments consisting of cash and cash equivalents, accrued interest and dividends receivable, investments, real estate held for sale, notes and loans receivable, real estate held for investment, and accounts payable are reported in the statements of financial position at carrying amounts which approximate fair value. Investments are reported at fair value as determined by authorized pricing sources for the custodial bank.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended June 30, 2024 and 2023, management determined that no impairment loss needs to be recognized.

Revenue Recognition

Fees are recognized as revenue during the period services are provided or according to the terms of the related trust administration and management services contracts, distribution services agreements, and other miscellaneous service agreements. Fees are primarily paid by individuals and church ministries for services provided by the Foundation.

Functional Expense Allocation

The Foundation allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activities are allocated directly according to their natural expenditure classifications. The nature of the organization precludes the Foundation from incurring significant fundraising expenses.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note A - Summary of Organization and Significant Accounting Policies (Continued)

Functional Expense Allocation (Continued)

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses allocated are salaries and wages, employee benefits, payroll taxes, depreciation, and insurance. The allocable expenses are allocated based on the number of staff members in each department in relation to total staff. Salary expense for executives is allocated based on estimated time and effort.

Trust and Other Liabilities

The trust and other liabilities due to donors and beneficiaries represents the liabilities necessary to meet agreed payments. The trust and other liabilities due to endowment, custodial, and agency accounts represents the liability for gifts received based on the original contribution plus earnings less reductions in the liability necessary to meet agreed payments.

Direct costs associated with the establishment of trust agreements are recognized as an expense of the trust as incurred.

Trustee fees to cover continuing administrative expenses are charged to the trusts and recognized as revenue by the Foundation on a current basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Tax Status

The Foundation constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes. However, the Foundation is subject to federal income tax on any unrelated business income. The Foundation follows accounting rules for uncertain tax positions. Those rules require financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. These rules also provide guidance on measurement, recognition, classification, interest and penalties, transition, and disclosure requirements for uncertain tax positions.

Reclassifications

Certain amounts on the 2023 financials have been reclassified, where appropriate, to conform to the financial statement presentation used in 2024. Changes in net assets are unchanged due to the reclassifications.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note A - Summary of Organization and Significant Accounting Policies (Continued)

Change in Accounting Principle

In June 2016, the FASB issued guidance (FASB ASC 326 Financial Instruments - Credit Losses) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. None of the financial assets held by the Foundation are subject to the guidance in FASB ASC 326. The Foundation adopted the standard effective June 1, 2023, and determined the standard had nominal impact to the Foundation's financial statements.

Subsequent Events

Management has evaluated all subsequent events and transactions through September 18, 2024.

Note B - Investments

The Foundation's investments at fair value were as follows (in thousands):

<u>June 30, 2024</u>	<u>Operating</u>	<u>Life Income</u>	<u>Gift Annuity</u>	<u>Endowment</u>	<u>Agency and Custodial</u>	<u>Total</u>
Common funds of the Foundation	\$ 24,908	\$ 157,832	\$ -	\$ 233,990	\$ 826,437	\$ 1,243,167
LCEF notes	-	-	-	1,759	2,658	4,417
Corporate stock	-	-	-	-	10	10
Mutual funds	-	-	17,255	-	-	17,255
Other	4	15	-	-	88	107
	<u>\$ 24,912</u>	<u>\$ 157,847</u>	<u>\$ 17,255</u>	<u>\$ 235,749</u>	<u>\$ 829,193</u>	<u>\$ 1,264,956</u>

<u>June 30, 2023</u>	<u>Operating</u>	<u>Life Income</u>	<u>Gift Annuity</u>	<u>Endowment</u>	<u>Agency and Custodial</u>	<u>Total</u>
Common funds of the Foundation	\$ 23,423	\$ 142,850	\$ -	\$ 211,237	\$ 708,083	\$ 1,085,593
LCEF notes	-	-	-	1,936	3,383	5,319
Mutual funds	-	-	17,835	-	-	17,835
Other	4	201	-	-	64	269
	<u>\$ 23,427</u>	<u>\$ 143,051</u>	<u>\$ 17,835</u>	<u>\$ 213,173</u>	<u>\$ 711,530</u>	<u>\$ 1,109,016</u>

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note B - Investments (Continued)

Investment income consists of the following (in thousands):

<u>June 30, 2024</u>	<u>Operating</u>	<u>Life Income</u>	<u>Gift Annuity</u>	<u>Endowment</u>	<u>Agency and Custodial</u>	<u>Total</u>
Interest and dividends	\$ 882	\$ 5,698	\$ 488	\$ 5,987	\$ 22,678	\$ 35,733
Capital gains distributed	271	1,797	-	2,853	7,048	11,969
Net realized/unrealized gains	<u>1,433</u>	<u>9,714</u>	<u>1,425</u>	<u>18,417</u>	<u>65,590</u>	<u>96,579</u>
	<u>\$ 2,586</u>	<u>\$ 17,209</u>	<u>\$ 1,913</u>	<u>\$ 27,257</u>	<u>\$ 95,316</u>	<u>\$ 144,281</u>

<u>June 30, 2023</u>	<u>Operating</u>	<u>Life Income</u>	<u>Gift Annuity</u>	<u>Endowment</u>	<u>Agency and Custodial</u>	<u>Total</u>
Interest and dividends	\$ 808	\$ 4,699	\$ 352	\$ 4,991	\$ 18,880	\$ 29,730
Capital gains distributed	637	2,609	-	5,238	11,976	20,460
Net realized/unrealized gains	<u>912</u>	<u>6,728</u>	<u>848</u>	<u>11,480</u>	<u>37,416</u>	<u>57,384</u>
	<u>\$ 2,357</u>	<u>\$ 14,036</u>	<u>\$ 1,200</u>	<u>\$ 21,709</u>	<u>\$ 68,272</u>	<u>\$ 107,574</u>

The common funds of the Foundation are as follows (in thousands):

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash	\$ 6,519	\$ 9,298
Cash Equivalents	6,144	6,120
Government Issues	1,327	888
Corporate Bonds	40,152	34,623
Foreign Issues	7,962	9,245
Domestic Common Stocks	119,782	98,604
Foreign Stocks	6,780	5,775
Commingled Funds	<u>1,054,501</u>	<u>921,040</u>
	<u>\$ 1,243,167</u>	<u>\$ 1,085,593</u>

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note B - Investments (Continued)

The Foundation's assets are invested primarily in six asset classes, called Preference Funds. These funds are managed by 14 professional fund managers, with asset-class specific strategies. These Preference funds are included in the Foundation's Standard and Trust Funds, shown in the following schedule.

6/30/2024

(in thousands)

	Domestic Equity	International Equity	High Yield Bonds	Core Bonds	Other Investments	Cash and Pending Trades	Total Common Funds
SF Fixed Income	\$ -	\$ -	\$ 9,912	\$ 40,423	\$ -	\$ 626	\$ 50,961
SF Equity	82,163	42,278	-	-	-	1,276	125,717
SF Conservative Balanced	4,087	2,100	3,563	14,472	-	11	24,233
SF Moderate Balanced	58,109	29,941	16,879	68,542	-	(33)	173,438
SF Aggressive Balanced	195,566	100,767	18,936	76,895	-	(284)	391,880
TF Income Short	-	-	146	1,356	-	(195)	1,307
TF Income Intermediate	474	244	2,066	1,865	-	48	4,697
TF Income Long	397	209	2,775	603	-	43	4,027
TF Total Return Short	992	511	2,296	5,348	-	36	9,183
TF Total Return Intermediate	12,168	6,269	7,067	10,762	-	50	36,316
TF Total Return Long	41,878	21,571	17,369	8,817	-	592	90,227
Pooled Trust 1	-	-	102	419	-	(18)	503
Pooled Trust 2	-	-	326	1,337	-	7	1,670
Pooled Trust 3	916	472	864	473	-	16	2,741
Individual separate accts-HY Bond	-	-	20,276	-	-	39	20,315
Individual separate accts-Core Bond	-	-	-	71,371	-	233	71,604
Individual separate accts-DEQ	48,386	-	-	-	-	353	48,739
Individual separate accts-DEQ Passive	-	-	-	-	121,743	(595)	121,148
Individual separate accts-Int EQ	-	9,086	-	-	-	36	9,122
Individual separate accts-Int EQ Passive	-	-	-	-	55,319	20	55,339
TOTAL COMMON FUNDS	\$ 445,136	\$ 213,448	\$ 102,577	\$ 302,683	\$ 177,062	\$ 2,261	\$ 1,243,167

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note B - Investments (Continued)

6/30/2023

(in thousands)

	Domestic Equity	International Equity	High Yield Bonds	Core Bonds	Other Investments	Cash and Pending Trades	Total Common Funds
SF Fixed Income	\$ -	\$ -	\$ 9,611	\$ 38,422	\$ -	\$ 348	\$ 48,381
SF Equity	64,498	40,352	-	-	-	1,284	106,134
SF Conservative Balanced	4,034	2,606	3,678	14,993	-	30	25,341
SF Moderate Balanced	49,621	31,092	15,535	61,889	-	256	158,393
SF Aggressive Balanced	158,079	98,927	16,532	64,831	-	(244)	338,125
TF Income Short	-	-	133	1,196	-	430	1,759
TF Income Intermediate	483	303	2,294	1,996	-	40	5,116
TF Income Long	411	257	3,004	630	-	33	4,335
TF Total Return Short	909	570	2,295	5,153	-	(231)	8,696
TF Total Return Intermediate	10,871	6,852	6,903	10,148	-	13	34,787
TF Total Return Long	33,187	20,865	15,038	7,280	-	162	76,532
Pooled Trust 1	-	-	116	463	-	-	579
Pooled Trust 2	-	-	345	1,398	-	9	1,752
Pooled Trust 3	806	508	825	430	-	15	2,584
Individual separate accts-HY Bond	-	-	17,592	-	-	(95)	17,497
Individual separate accts-Core Bond	-	-	-	61,508	-	232	61,740
Individual separate accts-DEQ	39,443	-	-	-	-	(80)	39,363
Individual separate accts-DEQ Passive	-	-	-	-	99,126	(968)	98,158
Individual separate accts-Int EQ	-	7,689	-	-	-	33	7,722
Individual separate accts-Int EQ Passive	-	-	-	-	47,077	383	47,460
Total Preference Funds	<u>362,342</u>	<u>210,021</u>	<u>93,901</u>	<u>270,337</u>	<u>146,203</u>	<u>1,650</u>	<u>1,084,454</u>
Other	-	-	-	-	1,139	-	1,139
TOTAL COMMON FUNDS	\$ <u>362,342</u>	\$ <u>210,021</u>	\$ <u>93,901</u>	\$ <u>270,337</u>	\$ <u>147,342</u>	\$ <u>1,650</u>	\$ <u>1,085,593</u>

Note C - Land, Building, and Equipment

Depreciation included in operating expenses was computed under the methods previously described and amounted to \$118,000 for the years ended June 30, 2024 and 2023.

Land, building, and equipment consists of the following at June 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Land	\$ 140	\$ 140
Building and improvements	2,342	2,262
Office equipment	56	56
Computer equipment	350	343
Automobiles	278	243
	<u>3,166</u>	<u>3,044</u>
Less accumulated depreciation	<u>2,244</u>	<u>2,143</u>
Total	<u>\$ 922</u>	<u>\$ 901</u>

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note D - Beneficial Interest in Charitable Trust

The Foundation is a named beneficiary of an irrevocable perpetual trust valued at \$1,486,000 and \$1,439,000 as of June 30, 2024 and 2023, respectively. This account is held by the Foundation and is included in net assets with donor restrictions by the Foundation.

Note E - Other Assets

Other assets consist of the following at June 30:

(in thousands)	<u>2024</u>	<u>2023</u>
Insurance policies at cash surrender value	\$ 5,288	\$ 5,489
Prepaid insurance	213	202
Other assets	71	89
Other receivables	<u>1,818</u>	<u>1,942</u>
Total	<u>\$ 7,390</u>	<u>\$ 7,722</u>

Note F - Trust and Other Liabilities

Trusts and other instruments are established by donors, beneficiaries, and related entities for the benefit of the Foundation, the Synod, related agencies, and donors. By donor or depositor type, trust and other liabilities represent the following:

Donors and Beneficiaries

These accounts are comprised of trusts and gift annuities.

The Foundation is the issuer of gift annuity agreements under which the Foundation, in exchange for a transfer of cash or other property, is obligated to pay an annuity to one or two individuals (annuitants) for their remaining lives. The Foundation recognizes the assets transferred upon issuance of the gift annuity at their fair value. The contribution is decreased by a fixed dollar amount paid to the annuitant(s) throughout their lifetime and increased annually by earnings at a fixed rate of return based on the account balance. When the agreement terminates the account balance is distributed to ministry.

Trust accounts receive gifts of cash, securities, and real estate where the income earned is to be paid to the donor or a designee(s). At the death of the donor or successor(s), the remaining liability is paid in accordance with the trust agreement.

Endowment

This account receives endowment gifts that are held by the Foundation primarily for other ministries of the Synod. Income is distributed to beneficiaries in accordance with donor instructions.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note F - Trust and Other Liabilities (Continued)

Custodial and Agency

These agency and custodial accounts are held by the Foundation for other ministries and organizations of the Synod. Refer to Note M for additional information on the entities with amounts held by the Foundation.

The details of activity in these donor trust and other liabilities for the year ended June 30, 2024, are as follows (in thousands):

	Life Income Fund	Gift Annuity Fund	Endowment Fund	Custodial Fund	Agency Fund	Total
ADDITIONS AND						
REALIZED REVENUES:						
New agreements/deposits	\$ 20,550	\$ 974	\$ 10,086	\$ 64,257	\$ 30,942	\$ 126,809
Interest and dividends	5,698	488	5,987	22,673	5	34,851
Capital gains	1,797	-	2,853	7,047	1	11,698
Transfers to gift annuity reserve	-	619	-	-	-	619
Other	118	-	40	10	10	178
Total support and revenues	28,163	2,081	18,966	93,987	30,958	174,155
LESS: DISTRIBUTIONS AND EXPENSES						
Distributions	18,490	3,418	12,244	37,787	32,829	104,768
Operating expenses	2,206	233	2,498	2,089	1,633	8,659
Total distributions and expenses	20,696	3,651	14,742	39,876	34,462	113,427
Revenues over (under) expenses	7,467	(1,570)	4,224	54,111	(3,504)	60,728
Change in value of deferred gifts	(10)	(3)	(2,876)	-	-	(2,889)
Net realized/unrealized gains (losses)	9,714	1,425	18,417	65,542	48	95,146
Net additions (deductions)	17,171	(148)	19,765	119,653	(3,456)	152,985
TOTAL LIABILITY JUNE 30, 2023	143,559	17,634	188,877	727,957	11,263	1,089,290
TOTAL LIABILITY JUNE 30, 2024	\$ 160,730	\$ 17,486	\$ 208,642	\$ 847,610	\$ 7,807	\$ 1,242,275

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note F - Trust and Other Liabilities (Continued)

The details of activity in these donor trust and other liabilities for the year ended June 30, 2023, are as follows (in thousands):

	Life Income Fund	Gift Annuity Fund	Endowment Fund	Custodial Fund	Agency Fund	Total
ADDITIONS AND						
REALIZED REVENUES:						
New agreements/deposits	\$ 6,423	\$ 1,682	\$ 4,986	\$ 58,714	\$ 20,518	\$ 92,323
Interest and dividends	4,699	352	4,991	18,876	4	28,922
Capital gains	2,609	-	5,238	11,973	3	19,823
Transfer to gift annuity reserve	-	4,635	-	-	-	4,635
Other	206	-	43	47	11	307
Total support and revenues	<u>13,937</u>	<u>6,669</u>	<u>15,258</u>	<u>89,610</u>	<u>20,536</u>	<u>146,010</u>
LESS: DISTRIBUTIONS AND EXPENSES						
Distributions	15,985	4,325	9,461	116,323	13,294	159,388
Operating expenses	2,239	233	2,070	1,899	744	7,185
Total distributions and expenses	<u>18,224</u>	<u>4,558</u>	<u>11,531</u>	<u>118,222</u>	<u>14,038</u>	<u>166,573</u>
Revenues over (under) expenses	(4,287)	2,111	3,727	(28,612)	6,498	(20,563)
Change in value of deferred gifts	440	17	(2,226)	-	-	(1,769)
Net realized/unrealized gains (losses)	<u>6,728</u>	<u>848</u>	<u>11,480</u>	<u>37,440</u>	<u>(24)</u>	<u>56,472</u>
Net additions (deductions)	2,881	2,976	12,981	8,828	6,474	34,140
TOTAL LIABILITY JUNE 30, 2022	<u>140,678</u>	<u>14,658</u>	<u>175,896</u>	<u>719,129</u>	<u>4,789</u>	<u>1,055,150</u>
TOTAL LIABILITY JUNE 30, 2023	<u>\$ 143,559</u>	<u>\$ 17,634</u>	<u>\$ 188,877</u>	<u>\$ 727,957</u>	<u>\$ 11,263</u>	<u>\$ 1,089,290</u>

Note G - Gift Annuities

The Foundation maintains a segregated gift annuity reserve fund (the "Gift Annuity Fund") consisting of assets set aside for the payment of annuity obligations to annuitants under charitable gift annuity agreements issued by the Foundation. Each year, the Gift Annuity Fund recognizes new agreements and deposits, the net gains or losses on gift values based on the investment income and market appreciation of invested assets, distributions to annuitants, releases of gift annuities and trustee fees to cover continuing investment, and administrative expenses of the Gift Annuity Fund.

Investments

Except for cash values of certain insurance policies of which the Foundation is both the owner and beneficiary and which have been designated by the Foundation as being held as part of the Gift Annuity Fund, the investments of the Gift Annuity Fund are mutual funds and are held at a custodial bank. All investments are stated at fair market value as determined by authorized pricing sources for the custodial bank based on quoted market prices. The custodial bank records transactions involving the Gift Annuity Fund's investments on the date the securities are purchased or sold. Income is accrued as earned and posted as collected by the custodial bank. Realized gains and losses on the sale of investments are the differences between the proceeds received and the cost of the securities sold. Gains and losses, both realized and unrealized, are recognized as changes in liability of the Gift Annuity Fund.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note G - Gift Annuities (Continued)

Restrictions on Assets

In accordance with the laws of California, the Gift Annuity Fund is required to maintain a reserve within investments sufficient enough to make payments to all outstanding annuitants residing in California. This reserve is equal to or greater than the reserve required by state law in California. In addition, although not required by law, separate investments are maintained for all outstanding annuitants in the state of Washington. The reserves held are sufficient to make payments to all annuitants.

Gift Annuity Liability to Donors

Liabilities for annuity obligations represent the actuarial present value of annuity payments that are expected to be paid to donors over the life of the annuity. These amounts are reviewed periodically by an actuary to determine their overall adequacy. Liabilities for future payments to donor-specified individuals are recorded using published actuarial life expectancies and interest rates credited to the individual accounts. A rate of 2.75% was applied for the years ended June 30, 2024, and June 30, 2023. The gift annuity liability to donors totaled \$15,480,286 and \$15,929,438 at June 30, 2024, and June 30, 2023, respectively.

The following is a summary of total assets in excess of accounts payable and accrued expenses and the annuity liability to donors at June 30, 2024:

Total Assets	\$ 22,782,873
Less: Accounts payable and accrued expenses	(15,027)
Annuity liability to donors	<u>(15,480,286)</u>
Excess of Assets	<u>\$ 7,287,560</u>

The following is a summary of total assets in excess of accounts payable and accrued expenses and the annuity liability to donors at June 30, 2023:

Total Assets	\$ 22,786,313
Less: Accounts payable and accrued expenses	(15,008)
Annuity liability to donors	<u>(15,929,438)</u>
Excess of Assets	<u>\$ 6,841,867</u>

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note H - Net Assets

Net assets with donor restrictions were restricted for the following at June 30:

<i>(in thousands)</i>	<u>2024</u>	<u>2023</u>
Timing Restriction		
Life income	\$ 2,338	\$ 2,327
Endowment	<u>5,935</u>	<u>4,445</u>
Total net assets with timing restrictions	<u>8,273</u>	<u>6,772</u>
Purpose Restriction		
Endowment	<u>1,689</u>	<u>1,586</u>
Total net assets with donor restrictions, temporary	<u>\$ 9,962</u>	<u>\$ 8,358</u>
Net assets subject to spending and distribution policy		
Endowments to be held in perpetuity	<u>14,643</u>	<u>14,431</u>
Beneficial interest in trust	<u>1,486</u>	<u>1,439</u>
Total net assets with donor restrictions	<u>\$ 26,091</u>	<u>\$ 24,228</u>

Net assets released for the years ended June 30 for:

<i>(in thousands)</i>	<u>2024</u>	<u>2023</u>
Life income	\$ 270	\$ 472
Endowment	<u>77</u>	<u>80</u>
Total net assets released	<u>\$ 347</u>	<u>\$ 552</u>

Net assets without donor restrictions that were designated by the Foundation at June 30 include:

<i>(in thousands)</i>	<u>2024</u>	<u>2023</u>
Endowments	\$ 15,381	\$ 14,061
Board designated funds	<u>2,273</u>	<u>2,078</u>
Gifted insurance policies	<u>4,974</u>	<u>5,148</u>
Gift annuity split interest agreements	<u>341</u>	<u>338</u>
Donor advised funds	<u>19,808</u>	<u>18,682</u>
Total Foundation designated net assets	<u>\$ 42,777</u>	<u>\$ 40,307</u>

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note I - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or management restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>(in thousands)</i>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,973	\$ 1,052
Other assets	1,179	560
Operating investments	3,598	3,172
Distributions from assets held under split-interest agreements	400	400
Distributions from beneficial interest in assets held by others	47	49
Endowment spending-rate distributions and appropriations	<u>120</u>	<u>150</u>
Total financial assets available	<u>\$ 7,317</u>	<u>\$ 5,383</u>

In addition, the board designated fund of \$2,273,000 as of June 30, 2024, is subject to an annual spending rate of 4.0% as determined by the Foundation's Board of Trustees. Annual spending is not to exceed the endowment corpus.

The Foundation has a credit line of \$1,000,000 with the Lutheran Church Extension Fund, which is scheduled to mature on October 8, 2024. The line of credit has an effective annual interest rate of 3.85%. Although, the credit line has never been used, and the intention is not to use the available credit, these funds can be made available if necessary.

Note J - Intentions to Give

At June 30, 2024 and 2023, the Foundation is a named beneficiary of revocable deferred gifts totaling \$1,737,000 and \$1,776,000, respectively. In accordance with the trust agreements, the donor has retained the option to change the named beneficiary. Therefore, no amounts have been recognized within these financial statements for the potential future benefits.

Note K - Risks and Uncertainties

Credit Risks

The Foundation invests in various investment securities. Investment securities are exposed to risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note L - Pension Expense

The Foundation participates in the worker benefit plans of the Synod. Substantially all full-time employees are covered by these plans. The Foundation contributes a fixed percentage of each participant's salary to defined benefit plans known as Concordia Retirement Plan and Concordia Disability and Survivorship Plan and a matching percentage of each participant's contribution to a defined contribution plan known as Concordia Retirement Savings Plan. Retirement program expense, including both the defined benefit and defined contribution plans, was \$553,000 and \$504,000, and disability program expense was \$118,000 and \$107,000 for the years ended June 30, 2024 and 2023, respectively.

Note M - Related Party Transactions

Funds Held for Related Entities

The Foundation provides investment services to various Synodical entities. Included in the trust and other liabilities of the Foundation are the following (in thousands):

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Lutheran Church Extension Fund	\$ 1,350	\$ 1,297
The Lutheran Church–Missouri Synod	118,186	108,302
Colleges and seminaries	365,479	311,233
Districts, auxiliaries, related service organizations, congregations, and other	<u>360,872</u>	<u>302,987</u>
	<u>\$ 845,887</u>	<u>\$ 723,819</u>

Note N - Fair Value Measurements

The Foundation follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a fair value hierarchy used to disclose the measurement of fair value based on levels of observable or unobservable inputs.

Level 1

Observable inputs that are derived from quoted prices (unadjusted) for identical assets or liabilities in an active market.

Level 2

Observable inputs based on quoted prices in non-active markets or in active markets for similar assets or liabilities. Inputs other than quoted prices that are observable, or inputs that are not directly observable, but are corroborated by observable market data.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note N - Fair Value Measurements (Continued)

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and reflect substantial management judgement or estimation utilizing available market data. Level 3 is comprised of real estate and LCEF notes.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

Domestic Common Stocks, Foreign Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds, Foreign Issues, Convertible Bonds, Municipal Bonds, Mortgage Pass Through Securities, Collateralized Mortgage Obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available on identical or similar bonds, the securities are submitted for brokers to obtain quotes. As part of the pricing process, the appropriateness of each quote (i.e., as to whether the quote is based on observable market transactions or not) is assessed to determine the most appropriate estimate of fair value. Lastly, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows.

Beneficial interest in charitable trusts: Irrevocable deferred gifts are valued at the present value of expected future cash receipts adjusted for actuarial life expectancy of the gift annuitants including survivors. Beneficial interests in charitable trusts are valued at the present value of the expected receipts for the duration of the trust where stated.

Commingled Funds: Valued using the net asset value (NAV) per share, or its equivalent, as a practical expedient for fair value.

Real Estate: Valued using current appraised values and other market data for similar properties.

LCEF Notes: Valued using deposited account balances.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note N - Fair Value Measurements (Continued)

The Board of Trustees and their related committees, along with Management, determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Board of Trustees assesses and approves these policies and procedures. At least annually, the Board of Trustees determines (1) if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Fair values of assets measured on a recurring basis at June 30, 2024, are as follows (in thousands):

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets				
Beneficial interest in charitable trusts	\$ 1,486	\$ -	\$ -	\$ 1,486
Real estate held	10,895	-	-	10,895
Total other assets	\$ 12,381	\$ -	\$ -	\$ 12,381
Investments				
Common funds				
Cash equivalents	\$ 6,144	\$ 6,144	\$ -	\$ -
Government issues	1,327	-	1,327	-
Corporate bonds	40,152	-	40,152	-
Foreign issues	7,962	-	7,962	-
Domestic common stocks	119,782	119,782	-	-
Foreign stocks	6,780	6,780	-	-
Total common funds	182,147	132,706	49,441	-
Other investments				
Domestic Common stocks	10	10	-	-
LCEF notes	4,417	-	-	4,417
Mutual funds-equity	8,716	-	8,716	-
Mutual funds-fixed income	8,539	-	8,539	-
Other	107	-	-	107
Total other investments	21,789	10	17,255	4,524
Total other assets and investments required to be disclosed in the fair value hierarchy	216,317	\$ 132,716	\$ 66,696	\$ 16,905
Common funds cash	6,519			
Commingled funds	1,054,501			
Total other assets and investments	\$ 1,277,337			
Beneficial interest in charitable trusts	\$ 1,486			
Real estate held for sale	4,645			
Real estate held in custody	6,250			
Investments	1,264,956			
Total	\$ 1,277,337			

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note N - Fair Value Measurements (Continued)

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) (in thousands):

Level 3 inputs by category	<u>Beneficial Interest in Charitable Trusts</u>	<u>Real Estate</u>	<u>LCEF</u>	<u>Other</u>	<u>Total</u>
June 30, 2023	\$ 1,439	\$ 9,458	\$ 5,319	\$ 269	\$ 16,485
Additions	-	1,862	51	348	2,261
Change in value	47	567	-	-	614
Sales or pay down of principal	-	(992)	(953)	(510)	(2,455)
June 30, 2024	<u>\$ 1,486</u>	<u>\$ 10,895</u>	<u>\$ 4,417</u>	<u>\$ 107</u>	<u>\$ 16,905</u>

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note N - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at June 30, 2023, are as follows (in thousands):

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other assets				
Beneficial interest in charitable trusts	\$ 1,439	\$ -	\$ -	\$ 1,439
Real estate held	9,458	-	-	9,458
Total other assets	\$ 10,897	\$ -	\$ -	\$ 10,897
Investments				
Common funds				
Cash equivalents	\$ 6,120	\$ 6,120	\$ -	\$ -
Government issues	888	-	888	-
Corporate bonds	34,623	-	34,623	-
Foreign issues	9,245	-	9,245	-
Domestic common stocks	98,604	98,604	-	-
Foreign stocks	5,775	5,775	-	-
Total common funds	155,255	110,499	44,756	-
Other investments				
Domestic Common stocks	-	-	-	-
LCEF notes	5,319	-	-	5,319
Mutual funds-equity	9,183	-	9,183	-
Mutual funds-fixed income	8,652	-	8,652	-
Mutual funds-tax exempt	-	-	-	-
Other	269	-	-	269
Total other investments	23,423	-	17,835	5,588
Total other assets and investments required to be disclosed in the fair value hierarchy	189,575	\$ 110,499	\$ 62,591	\$ 16,485
Common funds cash	9,298			
Commingled funds	921,040			
Total other assets and investments	\$ 1,119,913			
Beneficial interest in charitable trusts	\$ 1,439			
Real estate held for sale	3,775			
Real estate held in custody	5,683			
Investments	1,109,016			
Total	\$ 1,119,913			

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note N - Fair Value Measurements (Continued)

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) (in thousands):

Level 3 inputs by category	<u>Beneficial Interest in Charitable Trusts</u>	<u>Real Estate</u>	<u>LCEF</u>	<u>Other</u>	<u>Total</u>
June 30, 2022	\$ 1,422	\$ 9,458	\$ 5,880	\$ 269	\$ 17,029
Additions	-	1,813	15	174	2,002
Change in value	17	-	-	-	17
Sales or pay down of principal	-	(1,813)	(576)	(174)	(2,563)
June 30, 2023	<u>\$ 1,439</u>	<u>\$ 9,458</u>	<u>\$ 5,319</u>	<u>\$ 269</u>	<u>\$ 16,485</u>

The following tables summarize investments measured at fair value based on NAV per share as of June 30:

Investment Name	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 1,054,501	-	Daily to Monthly	Daily

Investment Name	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 921,040	-	Daily to Monthly	Daily

Note O - Endowments

The Foundation's endowments include both donor-restricted and board designated endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees, are classified and reported based on the existence or absence of donor-imposed restrictions.

Net Asset Classifications and Interpretation of Relevant Law

The Foundation is governed subject to its By-Laws. The Board of Trustees of the Foundation has interpreted the relevant Missouri state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with perpetual donor restrictions at (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note O - Endowments (Continued)

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment account. The Foundation has a policy of appropriating an approved percentage of 4% of the year-end value based on a rolling three-year average. The Foundation's spending and investment policies work together to achieve this stated objective. The Foundation's established investment objectives are (a) to preserve the purchasing power of the endowment assets and the related revenue stream over time, (b) to manage the endowment assets in a single investment pool with equities being the dominant asset class, (c) to employ multiple funds to gain the diversification benefits of different asset classes, and (d) to earn an average annual total return of at least 7% per year.

From time to time, certain donor-restricted endowment funds may have a fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2024, one endowment fund with original gift values totaling \$12,249 had a fair value of \$10,245 and deficiency of \$2,004. At June 30, 2023, two endowment funds with original gift values totaling \$296,929 had a fair value of \$292,353 and deficiencies of \$4,576.

Change in Endowment Net Asset (in thousands):

<u>June 30, 2024</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 14,061	\$ 20,462	\$ 34,523
Investment income, net of investment expenses	567	815	1,382
Net appreciation	1,184	1,771	2,955
Contributions	225	266	491
Amounts appropriated for expenditure	(656)	(1,047)	(1,703)
Change in endowment net assets	<u>1,320</u>	<u>1,805</u>	<u>3,125</u>
Endowment net assets, end of year	<u>\$ 15,381</u>	<u>\$ 22,267</u>	<u>\$ 37,648</u>

THE LUTHERAN CHURCH—MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note O - Endowments (Continued)

<u>June 30, 2023</u>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 13,215	\$ 18,692	\$ 31,907
Investment income, net of investment expenses	665	954	1,619
Net appreciation	721	1,164	1,885
Contributions	359	617	976
Amounts appropriated for expenditure	<u>(899)</u>	<u>(965)</u>	<u>(1,864)</u>
Change in endowment net assets	<u>846</u>	<u>1,770</u>	<u>2,616</u>
Endowment net assets, end of year	<u>\$ 14,061</u>	<u>\$ 20,462</u>	<u>\$ 34,523</u>

Endowment Asset Composition by Type of Fund as of June 30, 2024 and 2023, (in thousands):

<u>June 30, 2024</u>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 15,381	\$ -	\$ 15,381
Donor-restricted endowment funds			
Temporarily restricted by time or purpose	-	2,496	2,496
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	14,643	14,643
Accumulated investment earnings	<u>-</u>	<u>5,128</u>	<u>5,128</u>
Endowment net assets, end of year	<u>\$ 15,381</u>	<u>\$ 22,267</u>	<u>\$ 37,648</u>

<u>June 30, 2023</u>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 14,061	\$ -	\$ 14,061
Donor-restricted endowment funds			
Temporarily restricted by time or purpose	-	2,339	2,339
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	14,431	14,431
Accumulated investment earnings	<u>-</u>	<u>3,692</u>	<u>3,692</u>
Endowment net assets, end of year	<u>\$ 14,061</u>	<u>\$ 20,462</u>	<u>\$ 34,523</u>

THE LUTHERAN CHURCH–MISSOURI SYNOD FOUNDATION

Notes to Financial Statements - Continued

June 30, 2024

Note P - Revenue Recognition

The Foundation has various streams of fee revenue, as described in Note A above. Fee revenue includes trust administration and management services fees, distribution fees, and other miscellaneous fees.

The Foundation acts as a service provider on behalf of individuals and church ministries and recognizes trust administration and management services fee revenue during the month in which management services are provided. Management has elected to apply a practical expedient to account for trust administration and management services contracts on a portfolio basis when recognizing revenue from contracts whose terms and conditions are similar in nature. The Foundation does not refund these fees and therefore, no liability for refunds is reported at June 30, 2024 and 2023.

Management evaluates distribution fees and other miscellaneous fees on a contract-by-contract basis. Distribution fees are earned at a point in time when an individual or church ministry account is closed, and all funds have been disbursed. Other miscellaneous fees are earned at a point in time upon the completion of a single performance obligation, including successful filing of various tax forms and completion of other miscellaneous services.

Disaggregation of Revenue

The following tables present revenue disaggregated by revenue source and pattern of revenue recognition (in thousands):

	<u>Year Ended June 30, 2024</u>		
	<u>Over Time</u>	<u>Point In Time</u>	<u>Total Revenues</u>
Trust administration and management services	\$ 6,530	\$ -	\$ 6,530
Distribution fees	-	2,284	2,284
Contract revenue	869	-	869
Other miscellaneous revenue	-	288	288
Total Fee Revenues	\$ 7,399	\$ 2,572	\$ 9,971

	<u>Year Ended June 30, 2023</u>		
	<u>Over Time</u>	<u>Point In Time</u>	<u>Total Revenues</u>
Trust administration and management services	\$ 6,036	\$ -	\$ 6,036
Distribution fees	-	1,138	1,138
Contract revenue	758	-	758
Other miscellaneous fees	-	311	311
Total Fee Revenues	\$ 6,794	\$ 1,449	\$ 8,243