

# FORVIS Report to the Board of Directors, Audit Committee, and Management

The Lutheran Foundation, Inc.

Results of the 2023 Financial Statement Audit, Including Required Communications

June 30, 2023

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

| Matter                                                                | Discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Scope of Our Audit</b>                                             | <p>This report covers audit results related to your financial statements:</p> <ul style="list-style-type: none"><li>• As of and for the year ended June 30, 2023</li><li>• Conducted in accordance with our contract dated November 6, 2023</li></ul>                                                                                                                                                                                                                                                                                         |
| <b>Our Responsibilities</b>                                           | <p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>                                                                                                                                                                                                                        |
| <b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b> | <p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>                                                                                                                                                   |
| <b>Extent of Our Communication</b>                                    | <p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p> |
| <b>Independence</b>                                                   | <p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Your Responsibilities</b>                                          | <p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>                                                                                                                                                                                                                                                                                                                                                                |

# FORVIS

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

| Matter                          | Discussion                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Distribution Restriction</b> | <p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• The Board of Directors, Finance Committee, and Management</li> <li>• Others within the Foundation</li> </ul> |

## Qualitative Aspects of Significant Accounting Policies & Practices

### Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

### Unusual Policies or Methods

- No matters are reportable

### Alternative Accounting Treatments

- No matters are reportable

### Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Fair market valuation of investments, including valuation of alternative investments

### Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Investments and investment return
- Net assets
- Disclosures about fair value of assets and liabilities

### Our Judgment About the Quality of the Foundation's Accounting Principles

- No matters are reportable

### Proposed & Recorded Adjustments

- No matters are reportable

### Uncorrected Misstatements

- No uncorrected misstatements

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## Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

## Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

# FORV/S

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## Attachment

### Management Representation Letter

**FORV/S**

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*Representation of:*

The Lutheran Foundation  
3024 Fairfield Avenue, Suite 200  
Fort Wayne, Indiana 46807

*Provided to:*

**FORVIS, LLP**

Certified Public Accountants  
111 East Wayne Street, Suite 600  
Fort Wayne, Indiana 46802

The undersigned ("We") are providing this letter in connection with FORVIS' audits of our financial statements as of and for years ended June 30, 2023 and 2022.

Our representations are current and effective as of the date of FORVIS' report: November 21, 2023.

Our engagement with FORVIS is based on our contract for services dated: November 6, 2023.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS' Report**

We confirm, to the best of our knowledge and belief, the following:

#### **Broad Matters**

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.

3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of directors' and committee of directors meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board , if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

**Misappropriation, Misstatements, & Fraud**

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities, or net assets.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
7. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees or others.
9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

### Ongoing Operations

10. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
11. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing or bonding, significant credit quality problems, including significant volatility in the values of real estate and other collateral supporting loans, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes or contributions receivable, etc. that could negatively impact the entity's ability to maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, inventory, and other assets; evaluating assumptions regarding defined benefit pension plan obligations, reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc.

### Related Parties

12. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

13. We understand that the term related party refers to:
  - a. Affiliates.
  - b. Entities for which investments are accounted for by the equity method.
  - c. Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management.
  - d. Principal owners and members of their immediate families.
  - e. Management and members of their immediate families.
  - f. Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

### **Litigation, Laws, Rulings, & Regulations**

14. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
15. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
16. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
17. There are no regulatory examinations currently in progress for which we have not received examination reports.
18. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

### **Nonattest Services**

20. You have provided nonattest services, including the following, during the period of this engagement:
  - a. Preparing a draft of the financial statements and related notes.
21. With respect to these services:
  - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.



- d. We have evaluated the adequacy of the services performed and any findings that resulted.
- e. Established and maintained internal controls, including monitoring ongoing activities.
- f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

### **Financial Statements & Reports**

- 22. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
- 23. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

### **Transactions, Records, & Adjustments**

- 24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 25. We have everything we need to keep our books and records.
- 26. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
- 27. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

### **Nonprofit Accounting & Disclosure Matters**

- 28. Adequate provisions and allowances have been accrued for any material losses from uncollectible pledges.
- 29. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.
- 30. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.
- 31. We acknowledge the entity is not a conduit debt obligor whose debt securities are listed, quoted, or traded on an exchange or an over-the-counter market. As a result, we acknowledge the entity does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

### **Accounting & Disclosure**

- 32. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place.

33. Except as reflected in the financial statements, there are no:

- a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities or net assets.
- b. Material transactions omitted or improperly recorded in the financial records.
- c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Accounting Standards Codification (ASC) Topic 450, *Contingencies*, including those arising from environmental remediation obligations.
- d. Events occurring subsequent to the statement of financial position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
- e. Agreements to purchase assets previously sold.
- f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
- g. Guarantees, whether written or oral, under which the entity is contingently liable.
- h. Known or anticipated asset retirement obligations.

34. Except as disclosed in the financial statements, the entity has:

- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
- b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

#### **Revenue, Accounts Receivable, & Inventory**

35. Adequate provisions and allowances have been accrued for any material losses from:

- a. Uncollectible receivables.
- b. Excess or obsolete inventories.
- c. Sales commitments, including those unable to be fulfilled.
- d. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

#### **Estimates**

36. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.

37. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or markets, loans, investments or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

#### **Fair Value**

38. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.
  - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
  - c. The significant assumptions appropriately reflect market participant assumptions.
  - d. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

#### **Off-Balance Sheet Risk**

39. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk have been properly disclosed in the financial statements:
- a. The extent, nature, and terms of financial instruments with off-balance sheet risk.
  - b. The amount of credit risk of financial instruments with off-balance sheet risk and information about the collateral supporting such financial instruments.
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral of such financial instruments.
  - d. The common activity, region, or characteristic that identified the concentration.
  - e. The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless.
  - f. The entity's policy of requiring collateral to minimize the risk, the nature of this collateral, and information about the entity's access to collateral.

#### **Long-Lived Assets to Be Held & Used**

40. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

41. The entity's estimates of future cash flows are based on reasonable and supportable assumptions regarding the cash flows expected to result from the use of the assets and their eventual disposition.

**New Accounting Standards**

42. In connection with the adoption of ASC Topic 842, *Leases*, we represent the following:
  - a. The impact to our financial statements and disclosures is immaterial.

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Mark Dixon, Chief Executive Officer



# **The Lutheran Foundation, Inc.**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023 and 2022



**The Lutheran Foundation, Inc.**  
**June 30, 2023 and 2022**

**Contents**

**Independent Auditor’s Report..... 1**

**Financial Statements**

Statements of Financial Position ..... 3

Statements of Activities..... 4

Statements of Functional Expenses ..... 5

Statements of Cash Flows ..... 6

Notes to Financial Statements ..... 7



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## Independent Auditor's Report

Board of Directors  
The Lutheran Foundation, Inc.  
Fort Wayne, Indiana

### ***Opinion***

We have audited the financial statements of The Lutheran Foundation, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of The Lutheran Foundation, Inc. as of June 30, 2023 and 2022, 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 for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Foundation, Inc. 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 the 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 Foundation, Inc.'s ability to continue as a going concern within one year after the date that these 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 GAAS 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 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 GAAS, 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 Foundation, Inc.'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 Foundation, Inc.'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.

**FORVIS, LLP**

Fort Wayne, Indiana  
November 21, 2023



**The Lutheran Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

|                                                         | <b>2023</b>             | <b>2022</b>             |
|---------------------------------------------------------|-------------------------|-------------------------|
| <b>Assets</b>                                           |                         |                         |
| Cash and cash equivalents                               | \$ 2,254,261            | \$ 1,961,471            |
| Investments                                             | 226,581,243             | 222,763,025             |
| Investments held for others                             | 23,551,666              | 22,073,524              |
| Property and equipment, net of accumulated depreciation | 1,801,384               | 1,922,781               |
| Fiscal agent accounts receivable                        | 994,474                 | 825,009                 |
| Other assets                                            | 106,189                 | 292,618                 |
|                                                         | <hr/>                   | <hr/>                   |
| Total assets                                            | <u>\$ 255,289,217</u>   | <u>\$ 249,838,428</u>   |
| <b>Liabilities and Net Assets</b>                       |                         |                         |
| <b>Liabilities</b>                                      |                         |                         |
| Grants payable                                          | \$ 6,660,584            | \$ 6,467,857            |
| Accounts payable and accrued expenses                   | 209,897                 | 525,860                 |
| Fiscal agent accounts payable                           | 991,805                 | 586,042                 |
| Assets held for others                                  | 23,551,666              | 22,073,524              |
| Total liabilities                                       | <hr/> 31,413,952 <hr/>  | <hr/> 29,653,283 <hr/>  |
| <b>Net Assets</b>                                       |                         |                         |
| Without donor restrictions                              |                         |                         |
| Undesignated                                            | 219,704,998             | 214,720,368             |
| Board-designated                                        | 2,097,414               | 2,933,119               |
| With donor restrictions                                 | 2,072,853               | 2,531,658               |
| Total net assets                                        | <hr/> 223,875,265 <hr/> | <hr/> 220,185,145 <hr/> |
|                                                         | <hr/>                   | <hr/>                   |
| Total liabilities and net assets                        | <u>\$ 255,289,217</u>   | <u>\$ 249,838,428</u>   |

**The Lutheran Foundation, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2023 and 2022**

|                                                                 | 2023                          |                            |                |
|-----------------------------------------------------------------|-------------------------------|----------------------------|----------------|
|                                                                 | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total          |
| <b>Revenue, Gains (Losses),<br/>and Other Support</b>           |                               |                            |                |
| Investment return                                               |                               |                            |                |
| Interest and dividends                                          | \$ 3,210,459                  | \$ 35,346                  | \$ 3,245,805   |
| Net realized and<br>unrealized gains (losses)<br>on investments | 10,974,416                    | 122,309                    | 11,096,725     |
| Contributions and other                                         | 439,840                       | 3,858,477                  | 4,298,317      |
| Net assets released from<br>restrictions                        | 4,474,937                     | (4,474,937)                | -              |
| Total revenue,<br>gains (losses),<br>and other support          | 19,099,652                    | (458,805)                  | 18,640,847     |
| <b>Expenses</b>                                                 |                               |                            |                |
| Grants awarded                                                  | 12,378,099                    | -                          | 12,378,099     |
| Other program expenses                                          | 1,913,109                     | -                          | 1,913,109      |
| Supporting services expenses                                    | 659,519                       | -                          | 659,519        |
| Total expenses                                                  | 14,950,727                    | -                          | 14,950,727     |
| <b>Change in Net Assets</b>                                     | 4,148,925                     | (458,805)                  | 3,690,120      |
| <b>Net Assets, Beginning of Year</b>                            | 217,653,487                   | 2,531,658                  | 220,185,145    |
| <b>Net Assets, End of Year</b>                                  | \$ 221,802,412                | \$ 2,072,853               | \$ 223,875,265 |

| 2022                          |                            |                       |
|-------------------------------|----------------------------|-----------------------|
| Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
| \$ 2,660,386                  | \$ 32,660                  | \$ 2,693,046          |
| (17,061,347)                  | (195,126)                  | (17,256,473)          |
| 145,347                       | 3,474,022                  | 3,619,369             |
| <u>3,581,072</u>              | <u>(3,581,072)</u>         | <u>-</u>              |
| <u>(10,674,542)</u>           | <u>(269,516)</u>           | <u>(10,944,058)</u>   |
| 10,973,128                    | -                          | 10,973,128            |
| 1,579,139                     | -                          | 1,579,139             |
| 961,169                       | -                          | 961,169               |
| <u>13,513,436</u>             | <u>-</u>                   | <u>13,513,436</u>     |
| <u>(24,187,978)</u>           | <u>(269,516)</u>           | <u>(24,457,494)</u>   |
| <u>241,841,465</u>            | <u>2,801,174</u>           | <u>244,642,639</u>    |
| <u>\$ 217,653,487</u>         | <u>\$ 2,531,658</u>        | <u>\$ 220,185,145</u> |

**The Lutheran Foundation, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and 2022**

|                            | <b>Program<br/>Services</b> | <b>Supporting<br/>Services</b> | <b>Total<br/>Expenses</b> |
|----------------------------|-----------------------------|--------------------------------|---------------------------|
| <b>2023</b>                |                             |                                |                           |
| Grants awarded             | \$ 12,378,099               | \$ -                           | \$ 12,378,099             |
| Wages and benefits         | 1,132,915                   | 390,558                        | 1,523,473                 |
| Marketing                  | 173,062                     | 59,661                         | 232,723                   |
| Depreciation               | 154,153                     | 53,142                         | 207,295                   |
| Outside services           | 271,216                     | 93,498                         | 364,714                   |
| General and administrative | 181,763                     | 62,660                         | 244,423                   |
|                            | <u>\$ 14,291,208</u>        | <u>\$ 659,519</u>              | <u>\$ 14,950,727</u>      |
|                            |                             |                                |                           |
|                            | <b>Program<br/>Services</b> | <b>Supporting<br/>Services</b> | <b>Total<br/>Expenses</b> |
| <b>2022</b>                |                             |                                |                           |
| Grants awarded             | \$ 10,973,128               | \$ -                           | \$ 10,973,128             |
| Wages and benefits         | 795,746                     | 484,344                        | 1,280,090                 |
| Marketing                  | 179,443                     | 109,221                        | 288,664                   |
| Depreciation               | 127,747                     | 77,755                         | 205,502                   |
| Outside services           | 338,391                     | 205,967                        | 544,358                   |
| General and administrative | 137,812                     | 83,882                         | 221,694                   |
|                            | <u>\$ 12,552,267</u>        | <u>\$ 961,169</u>              | <u>\$ 13,513,436</u>      |

**The Lutheran Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

|                                                                          | <b>2023</b>                | <b>2022</b>                |
|--------------------------------------------------------------------------|----------------------------|----------------------------|
| <b>Operating Activities</b>                                              |                            |                            |
| Change in net assets                                                     | \$ 3,690,120               | \$ (24,457,494)            |
| Items not requiring (providing) operating activities cash flows          |                            |                            |
| Depreciation                                                             | 207,295                    | 205,502                    |
| Net realized and unrealized (gains) losses on investments                | (11,096,725)               | 17,256,473                 |
| Contributions restricted for long-term investment                        | (53,264)                   | (98,649)                   |
| Changes in                                                               |                            |                            |
| Other assets                                                             | 186,429                    | 17,212                     |
| Fiscal agent accounts receivable                                         | (169,465)                  | (229,330)                  |
| Grants payable                                                           | 192,727                    | 158,304                    |
| Accounts payable and accrued expenses                                    | (323,303)                  | (52,847)                   |
| Fiscal agent accounts payable                                            | 405,763                    | 185,627                    |
| Assets held for others                                                   | 1,478,142                  | (985,411)                  |
| Net cash used in operating activities                                    | <u>(5,482,281)</u>         | <u>(8,000,613)</u>         |
| <b>Investing Activities</b>                                              |                            |                            |
| Purchase of property and equipment                                       | (96,238)                   | (79,140)                   |
| Purchase of investments                                                  | (48,939,568)               | (35,161,882)               |
| Proceeds from disposition of investments                                 | 54,739,933                 | 42,810,120                 |
| Net cash provided by investing activities                                | <u>5,704,127</u>           | <u>7,569,098</u>           |
| <b>Financing Activities</b>                                              |                            |                            |
| Proceeds from contributions received restricted for long-term investment | <u>53,264</u>              | <u>98,649</u>              |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                  | 275,110                    | (332,866)                  |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                      | <u>1,961,471</u>           | <u>2,294,337</u>           |
| <b>Cash and Cash Equivalents, End of Year</b>                            | <u><u>\$ 2,236,581</u></u> | <u><u>\$ 1,961,471</u></u> |
| <b>Supplemental Cash Flows Information</b>                               |                            |                            |
| Capital assets in accounts payable                                       | \$ 5,000                   | \$ 15,340                  |

# **The Lutheran Foundation, Inc.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

The Lutheran Foundation, Inc. (Foundation) is a not-for-profit organization of member Lutheran Congregations of Northeast Indiana (Lutheran Congregations). Its mission and principal activities are to demonstrate the compassion of Christ by promoting, improving, and enhancing the quality of life of the individuals, families, congregations, and communities.

Lutheran Congregations located in northeastern Indiana are determined to continue caring for people and demonstrating Christ's compassion in their communities. With input from Delegates of the Foundation's Member Congregations and the leadership of the Board of Directors, the Foundation, through its grant-making activity, will fund programs supporting its mission statement. As part of its mission, the Foundation makes grants and contributions to member Lutheran Congregations and others.

The Foundation's revenue and other support are derived principally from investment earnings and contributions.

#### ***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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of money market funds. Cash and cash equivalents designated for investment are included within the investment classification on the statements of financial position.

At June 30, 2023, the Foundation had balances that exceeded FDIC limits by approximately \$1,778,000.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments (primarily alternative investments) are carried at fair value. Investment return includes dividend, interest, and other investment income; and realized and unrealized gains and losses on investments carried at fair value.

# **The Lutheran Foundation, Inc.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

The alternative investments consist of investments in real estate funds, hedge funds of funds, and a global infrastructure fund. These fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on the net asset values or its equivalent from the latest information provided by the fund manager or the general partners.

Ongoing review and assessment is made by the Foundation's management to incorporate other transactions, activity, and factors to estimate fair value at the financial statement date due to the latest information provided by the fund managers or the general partners not always being as of the financial statement date. Fair value estimation for these investments is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment income in the statements of activities is reported as net of related expenses of \$596,514 and \$555,774 for the years ended June 30, 2023 and 2022, respectively.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization.

Depreciation and amortization are charged to expense on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives. Estimated useful lives used to depreciate property and equipment are as follows:

|                                     | <b>Years</b> |
|-------------------------------------|--------------|
| Office equipment                    | 3-7          |
| Buildings and building improvements | 10-40        |
| Land and land improvements          | 15           |

### ***Grants Payable***

Grants are recorded as payable upon their unconditional approval by the board of directors and conditions prescribed by the grant agreement are met.

### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The board of directors has designated, from net assets without donor restrictions, board-designated endowment.

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| Nature of the Gift                                                                                 | Value Recognized                                                                                                        |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <i>Conditional gifts, with or without restriction</i>                                              |                                                                                                                         |
| Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met                     |
| <i>Unconditional gifts, with or without restriction</i>                                            |                                                                                                                         |
| Received at date of gift – cash and other assets                                                   | Fair value                                                                                                              |
| Received at date of gift – property, equipment, and long-lived assets                              | Estimated fair value                                                                                                    |
| Expected to be collected within one year                                                           | Net realizable value                                                                                                    |
| Collected in future years                                                                          | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.



# **The Lutheran Foundation, Inc.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### ***Income Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

### ***Assets Held for Others***

The Foundation acts as an agent for certain third-party organizations in which the third parties entrust the Foundation to handle their financial affairs. The Foundation has included these third-party funds in the financial statements as a liability in the amounts of \$23,551,666 and \$22,073,524 at June 30, 2023 and 2022, respectively. These liabilities offset the third-party funds that have been included in the assets of the Foundation as of June 30, 2023 and 2022.

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

### Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

|                                         | <b>2023</b>           | <b>2022</b>           |
|-----------------------------------------|-----------------------|-----------------------|
| Cash and money market funds             | \$ 4,009,612          | \$ 2,286,872          |
| Equity securities                       |                       |                       |
| Consumer discretionary industry         | 4,745,376             | 5,235,917             |
| Consumer staples industry               | 1,507,865             | 944,336               |
| Energy industry                         | 499,638               | 239,935               |
| Financial industry                      | 3,442,746             | 3,167,941             |
| Health care industry                    | 2,770,082             | 2,491,733             |
| Industrials                             | 4,586,633             | 3,735,510             |
| Information technology industry         | 5,397,483             | 4,946,112             |
| Materials                               | 1,096,089             | 1,345,029             |
| Real estate                             | 955,074               | 648,046               |
| Telecommunications                      | 1,726,356             | 1,643,825             |
| Equity mutual funds                     |                       |                       |
| Mid-capitalization funds                | 9,343,744             | 8,487,258             |
| Large capitalization funds              | 20,604,361            | 17,234,998            |
| International and emerging market funds | 35,692,547            | 32,828,809            |
| Debt securities                         |                       |                       |
| U.S. Treasury and agency securities     | 8,873,077             | 9,043,177             |
| Foreign government securities           | 247,530               | 515,082               |
| Corporate debt securities               | 8,507,315             | 8,496,875             |
| Fixed income mutual funds               | 30,779,355            | 32,381,946            |
| Alternative investments                 |                       |                       |
| Hedge fund of funds                     | 45,851,664            | 45,765,800            |
| Real estate funds                       | 44,699,846            | 48,032,009            |
| Global infrastructure                   | 14,796,516            | 15,365,339            |
|                                         | <u>\$ 250,132,909</u> | <u>\$ 244,836,549</u> |

At June 30, the Foundation's investments included the following:

|                             | <b>2023</b>           | <b>2022</b>           |
|-----------------------------|-----------------------|-----------------------|
| Investments                 | \$ 226,581,243        | \$ 222,763,025        |
| Investments held for others | 23,551,666            | 22,073,524            |
|                             | <u>\$ 250,132,909</u> | <u>\$ 244,836,549</u> |

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

### Alternative Investments

The fair value of alternative investments that have been estimated using the net asset value per share (or its equivalent) as a practical expedient consists of the following at June 30:

| June 30, 2023                  |               |                      |                      |                          |  |
|--------------------------------|---------------|----------------------|----------------------|--------------------------|--|
|                                | Fair Value    | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |  |
| Multi-strategy hedge funds (A) | \$ 45,851,664 | \$ 1,454,683         | Annual/Quarterly     | 90-100 days              |  |
| Real estate funds (B)          | 44,699,846    | 6,982,232            | Quarterly            | 90 days                  |  |
| Global infrastructure fund (C) | 14,796,516    | —                    | Quarterly            | 90 days                  |  |

| June 30, 2022                  |               |                      |                      |                          |  |
|--------------------------------|---------------|----------------------|----------------------|--------------------------|--|
|                                | Fair Value    | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |  |
| Multi-strategy hedge funds (A) | \$ 45,765,800 | \$ 1,454,683         | Annual/Quarterly     | 90-100 days              |  |
| Real estate funds (B)          | 48,032,009    | 5,299,515            | Quarterly            | 90 days                  |  |
| Global infrastructure fund (C) | 15,365,339    | —                    | Quarterly            | 90 days                  |  |

- (A) This category includes investments in multi-strategy hedge funds and hedge funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolios include investments in various private investment funds that employ primarily long/short strategies with global equity and fixed income securities. The funds allow for redemptions at certain times subject to a notice period.
- (B) This category includes six real estate funds that invest primarily in U.S. commercial real estate. One of the funds can never be redeemed. Two of the funds terms allow for redemptions every quarter with 90-days notice. The fair value of the investments have been estimated using the net asset value of the Foundation's ownership in partners' capital. Distributions from the nonredeemable fund will be made as the underlying investments of the fund are liquidated. It is estimated the underlying assets of the one fund will be liquidated over the next 7 to 12 years.
- (C) This category includes an investment in a fund that invests primarily in social infrastructure projects that construct and maintain public infrastructure projects of the Organization for Economic Co-operation and Development (OECD) countries outside of Australia. The fund allows for redemptions on a quarterly basis with 90-days notice.

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

### Note 3: Property and Equipment

Property and equipment at June 30 consists of:

|                               | <b>2023</b>                | <b>2022</b>                |
|-------------------------------|----------------------------|----------------------------|
| Office equipment              | \$ 1,047,977               | \$ 957,124                 |
| Building improvements         | 2,932,257                  | 2,937,212                  |
| Land and improvements         | 983,320                    | 983,320                    |
| Building                      | 449,823                    | 449,823                    |
| Less accumulated depreciation | <u>(3,611,993)</u>         | <u>(3,404,698)</u>         |
|                               | <u><u>\$ 1,801,384</u></u> | <u><u>\$ 1,922,781</u></u> |

### Note 4: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

|                                                                                                           | <b>2023</b>                | <b>2022</b>                |
|-----------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| <b>Subject to Expenditure for Specified Purpose</b>                                                       |                            |                            |
| Health care assistance                                                                                    | \$ 570,219                 | \$ 557,254                 |
| Health care education scholarships                                                                        | 1,282,343                  | 1,256,130                  |
| Other                                                                                                     | <u>87,915</u>              | <u>585,898</u>             |
|                                                                                                           | 1,940,477                  | 2,399,282                  |
| <b>Not Subject to Spending Policy or Appropriation</b>                                                    |                            |                            |
| Investment in perpetuity, the income of which is expendable to support health care education scholarships | <u>132,376</u>             | <u>132,376</u>             |
|                                                                                                           | <u><u>\$ 2,072,853</u></u> | <u><u>\$ 2,531,658</u></u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

|                                          | <b>2023</b>                | <b>2022</b>                |
|------------------------------------------|----------------------------|----------------------------|
| <b>Purpose Restrictions Accomplished</b> |                            |                            |
| Program services                         | <u><u>\$ 4,474,937</u></u> | <u><u>\$ 3,581,072</u></u> |

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

### Note 5: Liquidity and Availability

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

|                                                                         | 2023                  | 2022                  |
|-------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Financial Assets at Year-End</b>                                     |                       |                       |
| Cash and cash equivalents                                               | \$ 2,254,261          | \$ 1,961,471          |
| Investments                                                             | 226,581,243           | 222,763,025           |
| Investments held for others                                             | 23,551,666            | 22,073,524            |
| Accounts receivable                                                     | 994,474               | 825,009               |
| Total financial assets                                                  | <u>253,381,644</u>    | <u>247,623,029</u>    |
| <b>Less Amount Not Available To Be Used Within One Year</b>             |                       |                       |
| Investments with donor restrictions                                     | (2,072,853)           | (2,531,658)           |
| Investments held for others                                             | (23,551,666)          | (22,073,524)          |
| Board-designated endowment                                              | (2,097,414)           | (2,933,119)           |
| Financial assets not available to be used within one year               | <u>(27,721,933)</u>   | <u>(27,538,301)</u>   |
| Financial assets available to meet general expenditures within one year | <u>\$ 225,659,711</u> | <u>\$ 220,084,728</u> |

Donor-restricted endowment funds are not available for general operating expenditure. The Foundation has a board-designated endowment of \$2,097,414 and \$2,933,119 at June 30, 2023 and 2022, respectively. Although the Board does not intend to spend from board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary, for liquidity needs.

Cash is monitored daily and a monthly review is performed at the executive level.

### Note 6: Operating Leases

Noncancellable operating leases for land, office space, and miscellaneous equipment expire in various years from 2022. These leases generally contain renewal options and require the Foundation to pay all executory costs (property taxes, maintenance, and insurance). Future minimum lease payments at June 30, 2022, were:

|      |                   |
|------|-------------------|
| 2022 | \$ 71,001         |
| 2023 | 71,001            |
| 2024 | <u>47,334</u>     |
|      | <u>\$ 189,336</u> |

During the year ended June 30, 2021, Lutheran Park Corp., a related party, discontinued its operations and contributed land, land improvements, and a building to the Foundation, terminating the operating leases previously in place.

# **The Lutheran Foundation, Inc.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### **Note 7: Retirement Plans**

The Foundation has a defined contribution pension plan covering substantially all employees. The Foundation matches participants' contributions up to 3% of pretax salary and makes additional discretionary contributions. Pension expense was \$51,496 and \$54,762 for 2023 and 2022, respectively.

### **Note 8: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

### Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

|                                                                      | 2023                          |                                                                               |                                                           |                                                    |
|----------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                                      | Fair Value Measurements Using |                                                                               |                                                           |                                                    |
|                                                                      | Fair Value                    | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments</b>                                                   |                               |                                                                               |                                                           |                                                    |
| Equity securities                                                    |                               |                                                                               |                                                           |                                                    |
| Consumer discretionary industry                                      | \$ 4,745,376                  | \$ 4,745,376                                                                  | \$ -                                                      | \$ -                                               |
| Consumer staples industry                                            | 1,507,865                     | 1,507,865                                                                     | -                                                         | -                                                  |
| Energy industry                                                      | 499,638                       | 499,638                                                                       | -                                                         | -                                                  |
| Financial industry                                                   | 3,442,746                     | 3,442,746                                                                     | -                                                         | -                                                  |
| Health care industry                                                 | 2,770,082                     | 2,770,082                                                                     | -                                                         | -                                                  |
| Industrials                                                          | 4,586,633                     | 4,586,633                                                                     | -                                                         | -                                                  |
| Information technology industry                                      | 5,397,483                     | 5,397,483                                                                     | -                                                         | -                                                  |
| Materials                                                            | 1,096,089                     | 1,096,089                                                                     | -                                                         | -                                                  |
| Real estate                                                          | 955,074                       | 955,074                                                                       | -                                                         | -                                                  |
| Telecommunications                                                   | 1,726,356                     | 1,726,356                                                                     | -                                                         | -                                                  |
| Equity mutual funds                                                  |                               |                                                                               |                                                           |                                                    |
| Mid capitalization funds                                             | 9,343,744                     | 9,343,744                                                                     | -                                                         | -                                                  |
| Large capitalization funds                                           | 20,604,361                    | 20,604,361                                                                    | -                                                         | -                                                  |
| International and emerging markets funds                             | 35,692,547                    | 35,692,547                                                                    | -                                                         | -                                                  |
| Debt securities                                                      |                               |                                                                               |                                                           |                                                    |
| U.S. Treasury and agency securities                                  | 8,873,077                     | 5,318,403                                                                     | 3,554,674                                                 | -                                                  |
| Foreign government securities                                        | 247,530                       | -                                                                             | 247,530                                                   | -                                                  |
| Corporate debt securities                                            | 8,507,315                     | -                                                                             | 8,507,315                                                 | -                                                  |
| Fixed income mutual funds                                            | 30,779,355                    | 30,779,355                                                                    | -                                                         | -                                                  |
| Hedge funds and hedge funds of funds measured at net asset value (A) | 45,851,664                    | -                                                                             | -                                                         | -                                                  |
| Real estate funds measured at net asset value (A)                    | 44,699,846                    | -                                                                             | -                                                         | -                                                  |
| Global infrastructure measured at net asset value (A)                | 14,796,516                    | -                                                                             | -                                                         | -                                                  |
| Money market funds                                                   | 4,009,612                     | 4,009,612                                                                     | -                                                         | -                                                  |
| Total investments at fair value                                      | \$ 250,132,909                | \$ 132,475,364                                                                | \$ 12,309,519                                             | \$ -                                               |

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

# The Lutheran Foundation, Inc.

## Notes to Financial Statements

June 30, 2023 and 2022

|                                                                      | 2022                                                                          |                                                           |                                                    |             |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|-------------|
|                                                                      | Fair Value Measurements Using                                                 |                                                           |                                                    | Fair Value  |
|                                                                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |             |
| <b>Investments</b>                                                   |                                                                               |                                                           |                                                    |             |
| Equity securities                                                    |                                                                               |                                                           |                                                    |             |
| Consumer discretionary industry                                      | \$ 5,235,917                                                                  | \$ 5,235,917                                              | \$ -                                               | \$ -        |
| Consumer staples industry                                            | 944,336                                                                       | 944,336                                                   | -                                                  | -           |
| Energy industry                                                      | 239,935                                                                       | 239,935                                                   | -                                                  | -           |
| Financial industry                                                   | 3,167,941                                                                     | 3,167,941                                                 | -                                                  | -           |
| Health care industry                                                 | 2,491,733                                                                     | 2,491,733                                                 | -                                                  | -           |
| Industrials                                                          | 3,735,510                                                                     | 3,735,510                                                 | -                                                  | -           |
| Information technology industry                                      | 4,946,112                                                                     | 4,946,112                                                 | -                                                  | -           |
| Materials                                                            | 1,345,029                                                                     | 1,345,029                                                 | -                                                  | -           |
| Real estate                                                          | 648,046                                                                       | 648,046                                                   | -                                                  | -           |
| Telecommunications                                                   | 1,643,825                                                                     | 1,643,825                                                 | -                                                  | -           |
| Equity mutual funds                                                  |                                                                               |                                                           |                                                    |             |
| Mid capitalization funds                                             | 8,487,258                                                                     | 8,487,258                                                 | -                                                  | -           |
| Large capitalization funds                                           | 17,234,998                                                                    | 17,234,998                                                | -                                                  | -           |
| International and emerging markets funds                             | 32,828,809                                                                    | 32,828,809                                                | -                                                  | -           |
| Debt securities                                                      |                                                                               |                                                           |                                                    |             |
| U.S. Treasury and agency securities                                  | 9,043,177                                                                     | 2,447,647                                                 | 6,595,530                                          | -           |
| Foreign government securities                                        | 515,082                                                                       | -                                                         | 515,082                                            | -           |
| Corporate debt securities                                            | 8,496,875                                                                     | -                                                         | 8,496,875                                          | -           |
| Fixed income mutual funds                                            | 32,381,946                                                                    | 32,381,946                                                | -                                                  | -           |
| Hedge funds and hedge funds of funds measured at net asset value (A) | 45,765,800                                                                    | -                                                         | -                                                  | -           |
| Real estate funds measured at net asset value (A)                    | 48,032,009                                                                    | -                                                         | -                                                  | -           |
| Global infrastructure measured at net asset value (A)                | 15,365,339                                                                    | -                                                         | -                                                  | -           |
| Money market funds                                                   | 2,286,872                                                                     | 2,286,872                                                 | -                                                  | -           |
| Total investments at fair value                                      | <u>\$ 244,836,549</u>                                                         | <u>\$ 120,065,914</u>                                     | <u>\$ 15,607,487</u>                               | <u>\$ -</u> |

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.



# **The Lutheran Foundation, Inc.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023. There were no liabilities measured at fair value on a recurring basis and no assets or liabilities measured at fair value on a nonrecurring basis.

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 securities of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities.

### **Note 9: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

### ***Investments***

The Foundation invests in various investment securities. Investment securities are exposed to various 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 values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

### **Note 10: Subsequent Events**

Subsequent events have been evaluated through November 21, 2023, which is the date the financial statements were available to be issued.