



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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May 15, 2025

Board of Directors  
The Lutheran Foundation, Inc.  
Allen County, Indiana

We have reviewed the audit report of The Lutheran Foundation, Inc., which was opined upon by FORVIS, LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of The Lutheran Foundation, Inc. as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, FORVIS, LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA  
Deputy State Examiner




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# **The Lutheran Foundation, Inc.**

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

June 30, 2023 and 2022

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# The Lutheran Foundation, Inc.

June 30, 2023 and 2022

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *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. Our 2023 audit also was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. 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 for one year after the date that the financial statements are available to be issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Lutheran 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023 on our consideration of The Lutheran Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Lutheran Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Lutheran Foundation, Inc.'s internal control over financial reporting and compliance.

# **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
	<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	<u>31,413,952</u>	<u>29,653,283</u>
<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	<u>223,875,265</u>	<u>220,185,145</u>
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**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains (Losses), and Other Support</b>			
Investment return			
Interest and dividends	\$ 3,210,459	\$ 35,346	\$ 3,245,805
Net realized and unrealized gains (losses) 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 restrictions	4,474,937	(4,474,937)	-
Total revenue, gains (losses), and other support	<u>19,099,652</u>	<u>(458,805)</u>	<u>18,640,847</u>
<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	<u>14,950,727</u>	<u>-</u>	<u>14,950,727</u>
<b>Change in Net Assets</b>	<u>4,148,925</u>	<u>(458,805)</u>	<u>3,690,120</u>
<b>Net Assets, Beginning of Year</b>	<u>217,653,487</u>	<u>2,531,658</u>	<u>220,185,145</u>
<b>Net Assets, End of Year</b>	<u>\$ 221,802,412</u>	<u>\$ 2,072,853</u>	<u>\$ 223,875,265</u>

<b>2022</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 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 Services</b>	<b>Supporting Services</b>	<b>Total 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 Services</b>	<b>Supporting Services</b>	<b>Total 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**

	<u>2023</u>	<u>2022</u>
<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>\$ 2,236,581</u>	<u>\$ 1,961,471</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:

	<u>Years</u>
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
	<b>\$ 250,132,909</b>	<b>\$244,836,549</b>

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
Total investments	<b>\$ 250,132,909</b>	<b>\$244,836,549</b>

**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:

	<b>June 30, 2023</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
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
	<b>June 30, 2022</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
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:

	<u>2023</u>	<u>2022</u>
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>\$ 1,801,384</u>	<u>\$ 1,922,781</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:

	<u>2023</u>	<u>2022</u>
<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>\$ 2,072,853</u>	<u>\$ 2,531,658</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:

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

	<u>2023</u>	<u>2022</u>
<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	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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	-	-
	<u>\$ 250,132,909</u>	<u>\$ 132,475,364</u>	<u>\$ 12,309,519</u>	<u>\$ -</u>
Total investments at fair value	<u>\$ 250,132,909</u>	<u>\$ 132,475,364</u>	<u>\$ 12,309,519</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 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 in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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	-	-
	<u>\$ 244,836,549</u>	<u>\$ 120,065,914</u>	<u>\$ 15,607,487</u>	<u>\$ -</u>
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.

## **Supplementary Information**

**The Lutheran Foundation, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

<b>Federal Grantor Program or Cluster Title</b>	<b>Pass-Through Grantor</b>	<b>Federal Assistance Listing Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Emergency Solutions Grants Program	City of Fort Wayne Division of Community Development/Office of Housing and Neighborhood Services	14.231	\$ 66,773
<b>Department of Treasury</b>			
COVID-19 State and Local Fiscal Recovery	Indiana Family and Social Services Administration	21.027	833,999
<b>Bureau of Justice Assistance</b>			
Comprehensive Opioid, Stimulant and Substance Abuse Program	Indiana Family and Social Services Administration	16.838	<u>225,873</u>
Total expenditures of federal awards			<u>\$ 1,126,645</u>

**The Lutheran Foundation, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of The Lutheran Foundation, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of The Lutheran Foundation, Inc.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

The Lutheran Foundation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: Federal Loan Programs**

The Lutheran Foundation, Inc. administered no federal loan programs during the year ended June 30, 2023.

**Note 5: Subrecipient Awards**

Of the federal expenditures presented in this Schedule, The Lutheran Foundation, Inc. provided no federal awards to subrecipients.



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of The Lutheran Foundation, Inc., which comprise the Foundation's statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2023.

#### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered The Lutheran Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Lutheran Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Lutheran Foundation, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's [consolidated] financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether The Lutheran Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Fort Wayne, Indiana  
November 21, 2023



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## Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

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

#### Report on Compliance for the Major Federal Program

##### *Opinion on the Major Federal Program*

We have audited The Lutheran Foundation, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on The Lutheran Foundation, Inc.'s major federal program for the year ended June 30, 2023. The Lutheran Foundation, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Lutheran Foundation, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

##### *Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of The Lutheran Foundation, Inc.'s compliance with the compliance requirements referred to above.

##### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Lutheran Foundation, Inc.'s federal program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Lutheran Foundation, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Lutheran Foundation, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Lutheran Foundation, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Lutheran Foundation, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Lutheran Foundation, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS,LLP**

Fort Wayne, Indiana  
March 28, 2024

**The Lutheran Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
 Unmodified       Qualified       Adverse       Disclaimed
  
2. Internal control over financial reporting:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No

**Federal Awards**

4. Internal control over major federal awards programs:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
5. Type of auditor’s report on compliance for major federal awards was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
6. any audit findings required to be reported by 2 CFR 200.516(a)?       Yes       No
  
7. Identification of major programs:

<b>Cluster/Program</b>	<b>Assistance Listing Numbers</b>
COVID-19 State and Local Fiscal Recovery	21.027

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
  
9. The Lutheran Foundation, Inc. qualified as a low-risk auditee?       Yes       No

**The Lutheran Foundation, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2023**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
	No matters are reportable.	

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
	No matters are reportable.	

**The Lutheran Foundation, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable.	