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Lutheran Foundation of the Southwest

Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report

MAXWELL LOCKE & RITTER LLP | Accounting & Advisory

AUSTIN 401 Congress Avenue, Suite 2000, Austin, TX 78701

ROUND ROCK 411 West Main Street, Suite 300, Round Rock, TX 78664

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Independent Auditors' Report

To the Board of Trustees of
Lutheran Foundation of the Southwest:

Opinion

We have audited the accompanying financial statements of Lutheran Foundation of the Southwest (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, 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 responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Maxwell Locke & Ritter LLP

Austin, Texas
June 18, 2026

Lutheran Foundation of the Southwest

Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 346,552	$ 192,197
Accounts receivable	59,529	42,200
Prepaid insurance	8,125	8,951
Investments	16,712,242	15,115,609
Investments held for others	82,782,275	77,855,110
Total assets	$ 99,908,723	$ 93,214,067
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 3,975	$ 1,470
Trusts and managed assets	28,997,106	28,639,197
Endowments held for others	53,785,169	49,215,913
Total liabilities	82,786,250	77,856,580
Net assets:		
Without donor restrictions:		
Undesignated	5,446,618	4,465,327
Board-designated	4,292,350	4,292,350
With donor restrictions	7,383,505	6,599,810
Total net assets	17,122,473	15,357,487
Total liabilities and net assets	$ 99,908,723	$ 93,214,067

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Management fees	$ 771,014	-	771,014
Contribution revenue	-	11,984	11,984
Investment income, net	73,351	219,084	292,435
Net unrealized and realized gain on investments	792,990	735,754	1,528,744
Other revenues	311,437	-	311,437
Net assets released from restrictions	183,127	(183,127)	-
Total revenues and net assets released from restrictions	2,131,919	783,695	2,915,614
Expenses:			
Program services - development	754,339	-	754,339
Support services - management and general	396,289	-	396,289
Total expenses	1,150,628	-	1,150,628
Change in net assets	981,291	783,695	1,764,986
Net assets, beginning of year	8,757,677	6,599,810	15,357,487
Net assets, end of year	$ 9,738,968	7,383,505	17,122,473

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Management fees	$ 742,807	-	742,807
Contribution revenue	-	11,621	11,621
Investment income, net	4,828	180,432	185,260
Net unrealized and realized gain on investments	421,146	531,857	953,003
Other revenues	394,074	-	394,074
Net assets released from restrictions	171,219	(171,219)	-
Total revenues and net assets released from restrictions	1,734,074	552,691	2,286,765
Expenses:			
Program services - development	646,473	-	646,473
Support services - management and general	348,924	-	348,924
Total expenses	995,397	-	995,397
Change in net assets	738,677	552,691	1,291,368
Net assets, beginning of year	8,019,000	6,047,119	14,066,119
Net assets, end of year	$ 8,757,677	6,599,810	15,357,487

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services - Development	Support Services - Management and General	Total Expenses
Salaries, wages, and benefits	$ 627,556	325,083	952,639
Travel	56,840	-	56,840
Office equipment	29,224	15,054	44,278
Professional fees	-	32,536	32,536
Rent	15,147	7,803	22,950
Telephone	5,584	2,876	8,460
Advertising	4,573	2,356	6,929
Insurance	3,973	2,046	6,019
Postage	3,086	1,590	4,676
Supplies	2,657	1,369	4,026
Utilities	1,715	883	2,598
Printing	1,686	869	2,555
Other	2,298	3,824	6,122
Total expenses	$ 754,339	396,289	1,150,628

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services - Development	Support Services - Management and General	Total Expenses
Salaries, wages, and benefits	$ 536,799	278,713	815,512
Travel	42,390	-	42,390
Office equipment	27,274	14,050	41,324
Professional fees	-	33,224	33,224
Rent	14,553	7,497	22,050
Telephone	4,938	2,544	7,482
Advertising	6,123	3,154	9,277
Insurance	2,780	1,432	4,212
Postage	2,950	1,519	4,469
Supplies	1,487	766	2,253
Utilities	1,127	581	1,708
Printing	2,791	1,438	4,229
Other	3,261	4,006	7,267
Total expenses	$ 646,473	348,924	995,397

See notes to financial statements.

Lutheran Foundation of the Southwest

Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Change in net assets	$ 1,764,986	$ 1,291,368
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized gain on investments	(1,528,744)	(953,003)
Contributions restricted for long-term investment	(11,984)	(11,621)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(17,329)	(37,053)
Prepaid insurance	826	(822)
Investments held for others	(4,031,832)	(5,150,332)
Accounts payable	2,505	(1,153)
Trusts and managed assets	357,909	908,575
Endowments held for others	4,569,256	4,241,757
Net cash provided by operating activities	1,105,593	287,716
Cash Flows from Investing Activities:		
Purchases of investments	(7,415,493)	(1,993,574)
Sales of investments	6,452,271	1,643,991
Net cash used in investing activities	(963,222)	(349,583)
Cash Flows from Financing Activities-		
Contributions restricted for long-term investment	11,984	11,621
Net change in cash and cash equivalents	154,355	(50,246)
Cash and cash equivalents, beginning of year	192,197	242,443
Cash and cash equivalents, end of year	$ 346,552	$ 192,197

See notes to financial statements.

1. Organization

Lutheran Foundation of the Southwest (the "Foundation") is a Texas nonprofit corporation organized to encourage public support for the following sponsoring organizations (the "Sponsors"):

- Southwestern Texas Synod, ELCA
- Texas Lutheran University
- Lutheran Sunset Ministries
- Northern Texas-Northern Louisiana Mission Area, ELCA
- ELCA Foundation, ELCA
- Texas-Louisiana Gulf Coast Synod, ELCA
- Upbring
- Cross Trails Ministry

The Foundation offers no-cost, no-obligation estate planning for Lutherans residing in Texas and encourages Lutherans to establish planned or deferred gifts to benefit donors' families and heirs, the ministries of its sponsoring agencies, and other designated charitable recipients.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board Accounting Standards Codification.

Net Asset Classifications - Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use, or at the discretion of the Board of Trustees (the "Board") for the Foundation's use (Note 8).

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use by the Foundation to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, 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.

Also included in this category are stipulations permanently imposed by the donor. These net assets are not available for use in operations and limitations neither expire by fulfillment of a specific purpose or the passage of time. The Foundation classifies as net assets with donor restrictions all trusts in which the donor has granted the Board authority regarding beneficiary selection. Split-interest agreements having any charitable component that must be maintained in perpetuity as designated by the donor are also classified as net assets with donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements - 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 accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Costs to Obtain or Fulfill Contracts - As performance obligations in the Foundation's contracts with customers are typically satisfied over a period of one year or less, the Foundation applies the practical expedient to expense costs to obtain a contract as incurred. The Foundation does not incur fulfillment costs requiring capitalization.

Investments - Investments are valued at their fair values in the statements of financial position. Investment transactions are recorded on the trade date. Investment income is recorded when earned and includes dividends, interest and investment expenses. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the security. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

Trusts and Managed Assets - The Foundation accepts cash and other financial assets from organizations and individuals and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to specified beneficiaries. The Foundation records the fair value of the assets received and an offsetting liability for the same amount at the time the assets are received. Subsequent valuations of trust liabilities are determined annually based on the fair value of the trust assets.

Charitable Remainder Trusts - The Foundation accepts cash and other financial assets from donors who establish trusts, from which specified distributions are made either from principal or earnings to one or more beneficiaries over a specified term or for life. At the time the gift is received, the Foundation records the trust assets at their fair value and a liability for the present value of any expected future cash distributions to the beneficiaries. The Foundation determines the present value of the future payments due to the beneficiaries based on assumptions about the projected rate of return on the investments in the trusts, the discount rate for the obligation, and the expected mortality of the individual on which termination of the agreement depends, if the agreement is life dependent. Significant increases or decreases in these inputs in isolation would result in a significantly lower or higher fair value measurement.

The Foundation is named as co-beneficiary of certain charitable remainder trusts under its management, which are included as split-interest agreements discussed in Note 7. Upon gift receipt, the Foundation recognizes the excess of the fair value of the assets and the estimated liability as contribution revenue. If the donor has permanently restricted the Foundation's use of its interest in the assets, contribution revenue will be classified as with donor restrictions. If the Foundation has been given the immediate right to use its interest in the assets without restrictions, the contribution revenue is recognized as an increase in net assets without donor restrictions.

On an annual basis, the Foundation revalues the liability due to the donors' designated beneficiaries. The discount rate used in determining fair value at December 31, 2025 and 2024 was 5.0%.

Charitable remainder trusts are included as a component of trusts and managed assets in the statements of financial position.

Charitable Gift Annuities - Donors contribute assets in exchange for the right to receive a fixed dollar annual return for their benefit or for the benefit of third parties. Upon receipt of each such gift, the Foundation calculates the present value of the periodic payments due to the beneficiaries and classifies this amount as annuities payable, included with trusts and managed assets in the statements of financial position. The Foundation determines the present value of the future periodic payments on an actuarial basis based on the annuitant's life expectancy. The discount rate used in determining fair value at December 31, 2025 and 2024 was 5.0%. Significant increases or decreases in these inputs in isolation would result in a significantly lower or higher fair value measurement. Any income earned on charitable gift annuity investments is also credited to charitable gift annuities payable.

The Foundation is named as co-beneficiary of certain charitable gift annuities under its management, which are included as split-interest agreements discussed in Note 7. Upon gift receipt, the Foundation records the excess of the fair value of the assets and the estimated liability as contribution revenue. If the donor has permanently restricted the Foundation's use of its interest in the assets, contribution revenue will be classified as with donor restrictions. If the Foundation has been given the immediate right to use its interest in the assets without restrictions, the contribution revenue is recognized as an increase in net assets without donor restrictions.

On an annual basis, the Foundation revalues the carrying value of the charitable gift annuities.

The Foundation is required by the State of Texas to maintain a reserve of at least $100,000 to make payments if the assets are depleted. This reserve is held in net assets without donor restrictions.

Charitable gift annuities are included as a component of trusts and managed assets in the statements of financial position.

Endowments Held for Others - The Foundation accepts cash and other financial assets as a trustee of various endowment agreements. The Foundation records the fair value of the assets received at the time of receipt and an offsetting liability for the same amount. Subsequent valuations of the endowment liabilities are determined annually based on the fair value of the endowment assets. The portion of the endowment agreements for which the Foundation has no variance power is also included in this liability.

Management Fees - Revenue is recognized when promised services are transferred to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue when or as the Foundation satisfies performance obligations.

The Foundation charges trusts and managed assets and endowments held for others a fee for recovery of administrative expenses incurred by the Foundation. The management fee is generally computed as 0.5% to 1% per annum of the fair value of fund assets and is collected quarterly. Performance obligations are satisfied as the services are rendered, and revenue is recognized over time.

Contribution Revenue - The Foundation recognizes contributions when cash, securities, other assets, unconditional promises to give, or a notification of a beneficial interest is received. All contributions, including unconditional promises to give, are recorded at their fair value and are considered to be available for operations of the Foundation unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give, defined as those with a measurable performance or other barrier and a right of return, are recognized when the condition on which they depend are met and the promises become unconditional.

Leases - Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the statements of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Leases are classified as either operating or finance leases at the lease commencement date. Right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date and measured at the present value of future minimum lease payments over the expected lease term. ROU assets are adjusted for any initial direct costs, prepaid lease payments, and lease incentives received. There were no ROU assets or associated liabilities recorded on the Foundation's statements of financial position as of December 31, 2025 or 2024, as the Foundation was not obligated under any material lease agreements.

Functional Allocation of Expenses - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the program and supporting services using a variety of cost allocation techniques, such as time and effort.

Income Tax Status - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2025 and 2024. Due to the IRS designation as an association of a church, the Foundation is exempt from filing an annual Form 990 tax return in the U.S. federal jurisdiction.

3. Liquidity and Availability of Financial Assets

As of December 31, the Foundation's financial assets available within one year for general expenditure are as follows:

	2025	2024
Cash and cash equivalents	$ 346,552	$ 192,197
Accounts receivable	59,529	42,200
Investments	99,494,517	92,970,719
Total financial assets available within one year	99,900,598	93,205,116
Less amounts unavailable for general expenditure within one year, due to:		
Investments in endowments and trusts held for others	(82,782,275)	(77,855,110)
Board-designated funds	(4,292,350)	(4,292,350)
Investments restricted by donors as to their use	(7,383,505)	(6,599,810)
Charitable gift annuity reserve fund	(100,000)	(100,000)
Total amounts unavailable for general expenditure within one year	(94,558,062)	(88,847,270)
Total financial assets available to management for general expenditure within one year	$ 5,342,536	$ 4,357,846

The Foundation manages its liquidity following three guiding principles:

- Operate within a prudent range of financial soundness and stability,
- Maintain adequate liquid assets, and
- Maintain sufficient reserves to provide reasonable assurance that ongoing operational expenditures can be met for the foreseeable future.

The policy established by the Board is designed to ensure the Foundation's financial stability, as follows:

- On an annual basis, the Foundation is to approve balanced budgets.
- Deficit budgets may be approved if unrestricted funds are available to cover the deficit amounts.
- Allowances can be made for projections in the budget line items whether income or expense due to the nature of the circumstances outside of the control of the Foundation.

Board-designated net assets without restrictions could be made available by the Board for current operations if needed.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents and investments. The Foundation places its cash with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position.

5. Investments

Investments are reported at fair value at December 31, 2025 as follows:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Fair Value
Multi-asset funds	$ 47,432,537	$ 7,598,260	$ -	$ 55,030,797
Common stock	3,557,398	-	-	3,557,398
Tax-exempt bonds	-	2,184,282	-	2,184,282
Real estate	-	-	2,068,620	2,068,620
Taxable money market accounts	1,492,700	-	-	1,492,700
Taxable bond funds	-	1,320,026	-	1,320,026
Mortgage loans and other receivable	-	1,105,451	-	1,105,451
Mutual funds	972,780	-	-	972,780
Certificates of deposit	114,000	-	-	114,000
Restricted cash	67,309	-	-	67,309
Mission loan and development certificates	-	50,000	-	50,000
U.S. government securities and corporate bonds	-	21,325	-	21,325
Limited partnership	-	-	7,894	7,894
Total assets in the fair value hierarchy	$ 53,636,724	$ 12,279,344	$ 2,076,514	67,992,582
Investments measured at net asset value				31,501,935
Total investments at fair value				$ 99,494,517

During the year ended December 31, 2025, there were no additions or sales of Level 3 investments and no transfers in or out of Level 3.

Investments are reported at fair value at December 31, 2024 as follows:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Fair Value
Multi-asset funds	$ 27,583,398	$ 2,986,400	$ -	$ 30,569,798
Common stock	3,718,618	-	-	3,718,618
Tax-exempt bonds	-	2,480,668	-	2,480,668
Real estate	-	-	1,949,844	1,949,844
Taxable money market accounts	1,590,566	-	-	1,590,566
Taxable bond funds	-	1,847,474	-	1,847,474
Mortgage loans and other receivable	-	1,690,492	-	1,690,492
Mutual funds	900,635	-	-	900,635
Certificates of deposit	71,000	-	-	71,000
Restricted cash	58,737	-	-	58,737
Mission loan and development certificates	-	50,000	-	50,000
U.S. government securities and corporate bonds	-	20,788	-	20,788
Limited partnership	-	-	8,040	8,040
Total assets in the fair value hierarchy	$ 33,922,954	$ 9,075,822	$ 1,957,884	44,956,660
Investments measured at net asset value				48,014,059
Total investments at fair value				$ 92,970,719

During the year ended December 31, 2024, there were no additions or sales of Level 3 investments and no transfers in or out of Level 3.

All Level 1, Level 2 and Level 3 investments have been valued using a market approach.

The multi-asset investment fund is a unitized fund. Participations are purchased in $1 units. Income from the investments is allocated to participants based on the number of units held at the end of each calendar quarter. Additions to and withdrawals from the funds are made at the end of each quarter in accordance with donors' restrictions.

Cash, certificates of deposit, and marketable investments, including publicly traded investments such as stock, mutual funds, taxable money market accounts, and equity funds, are classified within Level 1 of the fair market value hierarchy because they are valued using quoted market prices, broker dealer quotations or other alternative pricing sources with reasonable levels of price transparency.

Bonds, bond funds, U.S. governmental securities, corporate bonds, mission loan and development certificates, certain multi-asset funds, and mortgage loans are designated as Level 2 instruments since valuations are obtained from readily-available pricing sources for comparable instruments. Mission loan and development certificates and mortgage loans are valued based upon anticipated collectability which approximates fair value.

Real estate and the investment in the limited partnership are classified within Level 3 since observable inputs are minimal. Real estate carrying values are determined by taking into account appraised value, tax authorities' valuations, annual income and the changes in these amounts over time. The limited partnership is reflected in the financial statements at fair value based on the audited financial statements of the limited partnership. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement.

The following table summarizes the investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2025 and 2024, respectively.

	Fair Value at December 31, 2025	Fair Value at December 31, 2024	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-asset fund accounts:					
Endowment fund pooled interest	$ 23,831,703	$ 21,207,649	not applicable	Daily	none
Private equities	2,510,787	3,267,978	$425,406	Illiquid - up to 10 years	not applicable
Private equities	1,915,707	1,758,360	not applicable	Quarterly	none
Hedge fund	1,675,890	1,556,351	not applicable	Quarterly	none
Hedged-equity fund	1,567,848	1,628,353	not applicable	Quarterly	none
Large cap value fund	-	18,595,368	not applicable	Daily	none
	$ 31,501,935	$ 48,014,059			

The Foundation's investments measured using the net asset value practical expedient consist of pooled investment vehicles with varying investment objectives and strategies. The endowment fund pooled interest invests in a diversified portfolio of equity, fixed-income, and alternative investments. Private equity investments consist primarily of interests in limited partnerships and other privately managed investment funds. The hedge fund and hedged equity fund utilize alternative investment strategies and may employ both long and short investment positions. These investments are subject to the redemption provisions and liquidity restrictions described in the table above.

6. Trusts and Managed Assets

The following summarizes the operating activity of the trusts and managed assets during the years ended December 31:

	2025	2024
Trusts and managed assets, beginning of year	$ 28,639,197	$ 27,730,622
Additions	1,512,675	398,782
Investment income	850,280	833,886
Net realized gain on investments	2,963,857	680,260
Net unrealized gain (loss) on investments	(1,951,136)	1,485,605
Disbursements to/for:		
Individual beneficiaries	(2,711,205)	(2,171,058)
Sponsoring organizations	(36,490)	(43,330)
Endowments held for others	(54,179)	(43,729)
Management fees	(215,893)	(231,841)
Trusts and managed assets, end of year	$ 28,997,106	$ 28,639,197

7. Split-Interest Agreements

The Foundation is listed as a co-beneficiary for certain agreements under its management. These agreements contain provisions for the distribution of assets to remaindermen other than the Foundation. As of December 31, 2025, the assets and liabilities for these split-interest agreements were $741,106 and $595,061, respectively. As of December 31, 2024, the assets and liabilities for these split-interest agreements were $721,200 and $582,089, respectively. All split-interest agreements balances are included on the statements of financial position in the multi-asset funds.

The following is a rollforward of the liabilities under split-interest agreements measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	2025	2024
Balance, beginning of year	$ 582,089	$ 576,566
Investment income	36,293	34,145
Net realized gain (loss) on investments	50,165	(6,399)
Net unrealized gain on investments	74	47,459
Disbursements to beneficiaries	(52,841)	(49,821)
Management fees	(9,324)	(9,149)
Actuarial adjustment	(11,395)	(10,712)
Balance, end of year	$ 595,061	$ 582,089

8. Board-Designated Net Assets

The Board has designated a portion of net assets without donor restrictions to provide general financial support for the Foundation's operations. These amounts remain available for use by the Foundation and may be modified or removed at the discretion of the Board. Accordingly, Board-designated amounts are classified as net assets without donor restrictions.

Board-designated funds are invested and included within investments reported in the accompanying statements of financial position. Investment return, including interest and dividend income, realized and unrealized gains and losses, and related investment expenses, is reported separately within net assets without donor restrictions and is not included in the Board-designated net asset balance.

Changes in Board-designated net assets for the years ended December 31 are as follows:

	2025	2024
Board-designated net assets, beginning of year	$ 4,292,350	$ 3,992,350
Board designations	-	300,000
Endowment net assets, end of year	$ 4,292,350	$ 4,292,350

9. Endowments

The Foundation had 260 and 250 separate endowments under its management as of December 31, 2025 and 2024, respectively. Certain of these endowments earn income directly for the Foundation and are included in the POEF of the Foundation. The income earned on all other endowments was either paid to Sponsors and other nonprofit organizations or added to the corpus of the respective endowment in accordance with the donors' restrictions.

Interpretation of relevant law

The Board has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions the original value of gifts donated to donor-restricted endowments and all additional gifts received thereafter. Also included are accumulations to the donor-restricted endowment if directed by the donor gift instrument. The Foundation classifies the remaining portion of the donor-restricted endowment fund as net assets with donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

Spending policy

The Board elected a spending policy of the POEF not to exceed 3% of the fair market value of the fund on the first day of the fiscal year. During 2025 and 2024, the spending policy of the POEF endowment was modified to 2.15% and 2.25% as only three quarters of the quarterly payments were requested by the Foundation. The spending policy for all other endowments is 4.375% of the fair market value on the first day of the fiscal year. This is subject to a rolling 20-quarter fund value average, and the effective yield for 2025 was 3.91%.

Investment Policy

The investment policy adopted by the Board details the objectives, risk management, investment selection and monitoring procedures. The Foundation's investment philosophy is to exercise ordinary business care and prudence in its investment of Foundation assets considering the long and short-term needs of the Foundation in carrying out its charitable purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Foundation recognizes that the uncertainty of future events, volatility of investment assets, and the potential loss in purchasing power are present to some degree with all types of investments. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and investment philosophy of the Foundation.

Endowments with deficiencies

The Foundation considers an endowment to be deficient if its fair value is less than the sum of: (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor-imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation complies with TUPMIFA and has interpreted it to permit spending from deficient endowments in accordance with the prudent measures required under the law. As of December 31, 2025 and 2024, endowments with original gift values of $1,099,355 and $1,136,892 were deficient by $103,894 and $151,655, respectively. The deficient amount is reflected in net assets with donor restrictions.

Changes in donor-restricted endowment net assets were as follows during the years ended December 31:

	2025	2024
Endowment net assets, beginning of year	$ 6,476,041	$ 5,922,672
Investment income	219,084	180,432
Net unrealized and realized gains on investments	735,754	531,857
Contributions	11,984	11,621
Appropriations for expenditures	(181,376)	(170,541)
Endowment net assets, end of year	$ 7,261,487	$ 6,476,041

10. Net Assets with Donor Restrictions

Endowments and other trusts' funds, that will or have become endowments upon termination of the trusts, are held by the donors in perpetuity. Temporarily restricted amounts are those not available for use by the Foundation until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. Net assets with donor restrictions were restricted for the following as of December 31:

	2025	2024
Endowment funds permanently held	$ 4,828,210	$ 4,816,226
Endowment funds earnings	2,433,277	1,659,815
Time restricted	84,620	86,371
Other trust funds permanently held	37,398	37,398
Total restricted net assets	$ 7,383,505	$ 6,599,810

11. Retirement Plan

The Foundation participates in a retirement plan covering various church institutions. The plan is a defined contribution plan covering employees of institutions affiliated with the Evangelical Lutheran Church in America. Contributions paid to the plan by the Foundation totaled $69,335 and $59,561 during the years ended December 31, 2025 and 2024, respectively.

12. Subsequent Events

The Foundation evaluated subsequent events through June 18, 2026 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.