Lutheran Foundation of the Southwest

Financial Statements as of and for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

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Independent Auditors' Report

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

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, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020 and 2019, 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.

Maxwell Locke & Ritter LLP

Austin, Texas
June 16, 2021

Lutheran Foundation of the Southwest

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 608,878	$ 644,291
Accounts receivable	6,750	6,544
Prepaid insurance	9,026	10,363
Investments	12,292,785	11,100,155
Investments held for others	67,152,522	60,776,969
Total assets	$ 80,069,961	$ 72,538,322
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ -	$ 4,347
Trusts and managed assets	27,255,620	24,495,338
Endowments held for others	39,896,902	36,281,631
Total liabilities	67,152,522	60,781,316
Net assets:		
Without donor restrictions:		
Undesignated	4,186,637	3,535,241
Board-designated	2,688,501	2,685,051
With donor restrictions	6,042,301	5,536,714
Total net assets	12,917,439	11,757,006
Total liabilities and net assets	$ 80,069,961	$ 72,538,322

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Management fees	$ 604,473	-	604,473
Investment income, net	161,952	85,165	247,117
Contribution revenue	3,450	10,215	13,665
Net unrealized and realized gain on investments	341,890	637,200	979,090
Other revenues	193,426	-	193,426
Net assets released from restrictions	226,993	(226,993)	-
Total revenues and net assets released from restrictions	1,532,184	505,587	2,037,771
Expenses:			
Program services - development	558,799	-	558,799
Support services - management and general	318,539	-	318,539
Total expenses	877,338	-	877,338
Change in net assets	654,846	505,587	1,160,433
Net assets, beginning of year	6,220,292	5,536,714	11,757,006
Net assets, end of year	$ 6,875,138	6,042,301	12,917,439

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Management fees	$ 556,455	-	556,455
Investment income, net	116,949	96,189	213,138
Contribution revenue	-	16,370	16,370
Net unrealized and realized gain			-
on investments	437,881	809,479	1,247,360
Other revenues	189,411	-	189,411
Net assets released from restrictions	206,052	(206,052)	-
Total revenues and net assets released from restrictions	1,506,748	715,986	2,222,734
Expenses:			
Program services - development	554,104	-	554,104
Support services - management and general	304,265	-	304,265
Total expenses	858,369	-	858,369
Change in net assets	648,379	715,986	1,364,365
Net assets, beginning of year	5,571,913	4,820,728	10,392,641
Net assets, end of year	$ 6,220,292	5,536,714	11,757,006

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services - Development	Support Services - Management and General	Total Expenses
Salaries, wages, and benefits	$ 495,083	257,028	752,111
Office equipment	22,529	11,606	34,135
Professional fees	-	31,204	31,204
Rent	12,474	6,426	18,900
Travel	11,656	-	11,656
Telephone	4,330	2,231	6,561
Insurance	3,014	1,553	4,567
Advertising	2,756	1,420	4,176
Postage	1,790	922	2,712
Supplies	1,273	656	1,929
Printing	1,072	552	1,624
Utilities	689	355	1,044
Other	2,133	4,586	6,719
Total expenses	$ 558,799	318,539	877,338

See notes to financial statements.

Lutheran Foundation of the Southwest

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services - Development	Support Services - Management and General	Total Expenses
Salaries, wages, and benefits	$ 446,768	232,135	678,903
Office equipment	22,872	11,782	34,654
Professional fees	-	39,093	39,093
Rent	12,027	6,195	18,222
Travel	48,935	-	48,935
Telephone	3,933	2,026	5,959
Insurance	3,142	1,618	4,760
Advertising	3,743	1,928	5,671
Postage	1,995	1,028	3,023
Supplies	3,775	1,945	5,720
Printing	3,532	1,820	5,352
Utilities	818	421	1,239
Other	2,564	4,274	6,838
Total expenses	$ 554,104	304,265	858,369

See notes to financial statements.

Lutheran Foundation of the Southwest

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 1,160,433	$ 1,364,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized gain on investments	(979,090)	(1,247,360)
Contributions restricted for long-term investment	(10,215)	(16,370)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(206)	10,741
Prepaid insurance	1,337	(1,458)
Investments held for others	(6,375,553)	(8,451,007)
Accounts payable	(4,347)	(1,345)
Trusts and managed assets	2,760,282	1,662,952
Endowments held for others	3,615,271	6,788,055
Net cash provided by operating activities	167,912	108,573
Cash Flows from Investing Activities:		
Purchases of investments	(1,447,255)	(1,161,806)
Sales of investments	1,233,715	1,166,703
Net cash (used) provided by investing activities	(213,540)	4,897
Cash Flows from Financing Activities-		
Contributions restricted for long-term investment	10,215	16,370
Net change in cash and cash equivalents	(35,413)	129,840
Cash and cash equivalents, beginning of year	644,291	514,451
Cash and cash equivalents, end of year	$ 608,878	$ 644,291

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 ("FASB") Accounting Standards Codification ("ASC").

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 by the Foundation, or at the discretion of the Board of Trustees (the "Board") for the Foundation's use. The Board has designated $2,688,501 of net assets without donor restrictions to be included in the Permanent Operating Endowment Fund ("POEF") for general support to the Foundation.

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.

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

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.

Accounts Receivable - Accounts receivables are recorded at the amount the Foundation expects to collect on outstanding balances. The Foundation has not recorded an allowance for uncollectible receivables as of December 31, 2020 and 2019 because management estimates all balances to be collectible.

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 records the excess of the fair value of the assets and the estimated liability as contribution revenue with donor restrictions. 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, 2020 and 2019 was 2.0% and 1.5%, respectively, and was set to equal the expected Applicable Federal Rate (“AFR”) issued by the Internal Revenue Service (“IRS”).

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, 2020 and 2019 was 2.0% and 1.5%, respectively, and was set to equal the expected AFR issued by the IRS. 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 with donor restrictions. 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.

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 recognizes an asset for the incremental costs to fulfill a contract, direct labor, if the costs relate directly to an existing or specific anticipated contract, generate or enhance resources that the Foundation will use to satisfy performance obligations in the future, and if the Foundation expects to recover those costs through the margin inherent in the contract. The Foundation does not incur fulfillment costs requiring capitalization.

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.

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, 2020 and 2019. 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.

Change in Accounting Principle for Recently Adopted Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. The Foundation adopted Topic 606 on January 1, 2020 and elected the modified retrospective transition method of adoption using the completed contract practical expedient. The Foundation performed an assessment of its contracts with customers and did not identify any changes to the timing or amount of its revenue recognition under Topic 606 compared to prior U.S. GAAP. There was no impact to net assets as of January 1, 2020 or to the statement of financial position or the statements of activities, functional expenses, or cash flows as of and for the year ended December 31, 2020 as a result of applying the new guidance.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which includes amendments intended to improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies and adds certain disclosure requirements and affects entities that are required to include fair value measurement disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2019. The Foundation adopted the amendments of ASU 2018-13 and has applied the accounting guidance to the fair value disclosure included in the financial statements dated December 31, 2020.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables and other commitments to extend credit held by a reporting entity at each reporting date. Entities are required to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The amendment is effective using a modified retrospective approach for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Foundation is currently evaluating the impact the amendment will have on its financial statements.

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:

	2020	2019
Cash and cash equivalents	$ 608,878	$ 644,291
Accounts receivable	6,750	6,544
Investments	79,445,307	71,877,124
Total financial assets available within one year	80,060,935	72,527,959
Less amounts unavailable for general expenditure within one year, due to:		
Investments in endowments and trusts held for others	(67,152,522)	(60,776,969)
Board-designated funds	(2,688,501)	(2,685,051)
Investments restricted by donors as to their use	(6,042,301)	(5,536,714)
Charitable gift annuity reserve fund	(100,000)	(100,000)
Total amounts unavailable for general expenditure within one year	(75,983,324)	(69,098,734)
Total financial assets available to management for general expenditure within one year	$ 4,077,611	$ 3,429,225

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, 2020 as follows:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Fair Value
Multi-asset funds	$ 17,988,592	$ 1,780,415	$ -	$ 19,769,007
Real estate	-	-	3,566,655	3,566,655
Common stock	3,286,840	-	-	3,286,840
Tax-exempt bonds	-	3,099,158	-	3,099,158
Taxable bond funds	-	2,369,407	-	2,369,407
Taxable money market accounts	1,324,874	-	-	1,324,874
Mortgage loans receivable	-	1,281,522	-	1,281,522
Mutual funds	1,115,638	-	-	1,115,638
Mission loan and development certificates	-	773,561	-	773,561
Insurance	-	196,563	-	196,563
Certificates of deposit	165,000	-	-	165,000
Restricted cash	84,141	-	-	84,141
Private company stock	-	-	39,450	39,450
U.S. government securities and corporate bonds	-	28,121	-	28,121
Limited partnership	-	-	8,553	8,553
Total assets in the fair value hierarchy	$ 23,965,085	$ 9,528,747	$ 3,614,658	37,108,490
Investments measured at net asset value				42,336,817
Total investments at fair value				$ 79,445,307

Additions of Level 3 investments during the year ended December 31, 2020 were $1,923,000. Transfers out of Level 3 investments during the year ended December 31, 2020 were $109,640.

Investments are reported at fair value at December 31, 2019 as follows:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Fair Value
Multi-asset funds	$ 17,477,041	$ -	$ -	$ 17,477,041
Real estate	-	-	2,097,301	2,097,301
Common stock	2,971,520	-	-	2,971,520
Tax-exempt bonds	-	3,104,883	-	3,104,883
Taxable bond funds	-	2,468,780	-	2,468,780
Taxable money market accounts	1,263,473	-	-	1,263,473
Mortgage loans receivable	-	1,264,708	-	1,264,708
Mutual funds	1,166,349	-	-	1,166,349
Mission loan and development certificates	-	768,369	-	768,369
Insurance	-	186,024	-	186,024
Certificates of deposit	685,000	-	-	685,000
Restricted cash	91,472	-	-	91,472
Private company stock	-	-	34,850	34,850
U.S. government securities and corporate bonds	-	25,844	-	25,844
Limited partnership	-	-	8,564	8,564
Total assets in the fair value hierarchy	$ 23,654,855	$ 7,818,608	$ 2,140,715	33,614,178
Investments measured at net asset value				38,262,946
Total investments at fair value				$ 71,877,124

There were no transfers in or out of Level 3 investments during the year ended December 31, 2019.

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, money market accounts, certificates of deposit, and marketable investments, including publicly traded investments such as stock, mutual funds, equity funds, and exchange traded 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, mortgage loans and cash value of life insurance policies 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. The cash value of life insurance policies was reflected in the financial statements at fair value based on the cash value reflected on the policy statements at December 31, 2020 and 2019.

Real estate, private company stock 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. Real estate is not routinely re-appraised; thus, valuations are based upon the advice of real estate professionals and local conditions. 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, 2020 and 2019, respectively.

	Fair Value at December 31, 2020	Fair Value at December 31, 2019	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-asset fund accounts:					
Endowment fund pooled interest	$ 20,123,795	$ 18,734,975	not applicable	daily	none
Large cap value fund	11,610,545	9,899,704	not applicable	daily	none
Securities and foreign companies fund	3,690,124	2,352,333	not applicable	daily	none
Private equities	2,822,978	2,659,827	$ 1,403,522	Illiquid - up to 10 years	not applicable
Private investment fund	2,196,588	1,993,085	not applicable	daily	none
Real estate holdings	1,892,787	2,623,022	not applicable	daily	none
	$ 42,336,817	$ 38,262,946			

The multi-asset fund account has various accounts with different investment strategies: the endowment fund pooled interest invests in a diversified portfolio that consists of equity-based, fixed-income, and alternative investments and the fund account invests in mutual funds. The large cap value fund seeks long-term capital growth and invests all of its assets in a master advantage large cap value portfolio. The real estate holdings primarily invests in a broad range of real estate-related debt investments, and private equities invests in limited partnership interests in private investment funds. The private investment fund is a group of private investments and the securities and foreign companies fund invests its assets primarily in equity securities positioned to benefit from demand for their products or services.

6. Trusts and Managed Assets

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

	2020	2019
Trusts and managed assets, beginning of year	$ 24,495,338	$ 22,832,386
Additions	3,538,505	1,490,456
Investment income	485,413	559,064
Net realized gain on investments	337,219	205,207
Net unrealized gain on investments	1,461,655	2,415,154
Disbursements to/for:		
Individual beneficiaries	(2,397,770)	(2,064,810)
Sponsoring organizations	(82,215)	(189,491)
Endowments held for others	(348,763)	(546,538)
LFSW payment	(171)	(8,523)
Management fees	(233,591)	(197,567)
Trusts and managed assets, end of year	$ 27,255,620	$ 24,495,338

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, 2020, the assets and liabilities for these split-interest agreements were $910,039 and $759,113, respectively. As of December 31, 2019, the assets and liabilities for these split-interest agreements were $884,076 and $741,053, respectively. All split-interest agreements balances are included on the statement 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:

	2020	2019
Balance, beginning of year	$ 741,053	$ 798,395
Additions	-	283
Investment income	12,901	14,410
Net realized gain on investments	13,837	8,132
Net unrealized gain on investments	38,459	80,555
Disbursements to beneficiaries	(38,262)	(97,365)
Management fees	(6,021)	(6,607)
Actuarial adjustment	(2,854)	(56,750)
Balance, end of year	$ 759,113	$ 741,053

8. Endowments

The Foundation had 225 and 216 separate endowments under its management as of December 31, 2020 and 2019, 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 spending policy of the POEF endowment is 5% of the fair market value of the fund on the first day of the fiscal year. During 2020 and 2019, the spending policy was modified to 3.75% 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 2020 was 3.84%.

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, 2020 and 2019, endowments with original gift values of $1,136,892 and $1,432,212 were deficient by $171,046 and $256,261, respectively. The deficient amount is reflected in net assets with donor restrictions.

Changes in donor-restricted endowment net assets were as follows during the year ended December 31, 2020:

	With donor restrictions
Endowment net assets, beginning of year	$ 5,411,098
Investment income	85,165
Net unrealized and realized gains on investments	637,200
Contributions	10,215
Appropriations for expenditures	(225,824)
Endowment net assets, end of year	$ 5,917,854

Changes in donor-restricted endowment net assets were as follows for the year ended December 31, 2019:

	With donor restrictions
Endowment net assets, beginning of year	$ 4,693,057
Investment income	96,189
Net unrealized and realized gains on investments	809,479
Contributions	16,370
Appropriations for expenditures	(203,997)
Endowment net assets, end of year	$ 5,411,098

9. 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:

	2020	2019
Endowment funds permanently held	$ 4,719,642	$ 4,709,427
Endowment funds earnings	1,198,212	701,671
Time restricted	87,049	88,218
Other trust funds permanently held	37,398	37,398
Total restricted net assets	$ 6,042,301	$ 5,536,714

10. Commitments and Contingencies

During 2016, the Foundation entered into a non-cancelable lease agreement for office space which was amended during 2019, expiring on June 30, 2022.

Rental expense during the years ended December 31, 2020 and 2019 totaled $18,900 and $18,222, respectively. Future minimum lease payments under this lease as of December 31, 2020 were as follows:

2021	$	19,500
2022		9,900
Total	$	29,400

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption to businesses is currently expected to be temporary, there is uncertainty around the duration. Therefore, while this issue could negatively impact the Foundation's investment portfolio, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. The Foundation is actively managing its operations to maintain its cash flow and management believes that the Foundation has adequate liquidity.

11. Pension Plan

The Foundation participates in a pension plan covering various church institutions. The plan is a defined contribution plan covering employees of institutions affiliated with the Evangelical Lutheran Church in America. Employees qualify for the pension plan from the first day of employment as long as they are scheduled to work at least twenty hours per week for six months per year. Contributions paid to the plan by the Foundation totaled $55,797 and $49,106 during the years ended December 31, 2020 and 2019, respectively.

12. Subsequent Events

The Foundation has evaluated subsequent events through June 16, 2021 (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.