



CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2021

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Independent Auditor's Report

Board of Directors
International Lutheran Laymen's League and Subsidiaries
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the International Lutheran Laymen's League and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of May 31, 2021, the related consolidated statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Organization'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 Organization'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 statement of financial position of International Lutheran Laymen's League and Subsidiaries as of May 31, 2021, and its statement of activities, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of May 31, 2020, were audited by Brown Smith Wallace, LLP, whose practice became part of Armanino^{LLP} as of August 1, 2021, and whose report dated September 22, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Armanino LLP".

Armanino^{LLP}
St. Louis, Missouri

September 24, 2021

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statements of Financial Position

Years ended May 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 1,163,513	\$ 1,789,292
Investments	32,828,164	26,000,492
Estate gifts and other receivables, net	2,827,349	3,289,570
Branch office cash advances	563,063	399,176
Prepaid expenses and other assets, net	897,660	686,169
Irrevocable deferred gifts	5,306,545	4,310,885
Beneficial interest in trusts	10,563,881	9,722,833
Property and equipment, net	15,389,264	15,450,177
TOTAL ASSETS	\$ 69,539,439	\$ 61,648,594
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accruals	\$ 768,256	\$ 625,152
Line of credit	-	1,899,949
Custodial funds	160,343	124,665
Other liabilities	909,007	778,479
Gift annuity liabilities	3,289,890	3,130,422
Notes payable	7,901,119	9,890,700
Total Liabilities	13,028,615	16,449,367
Net Assets		
Without donor restrictions		
Undesignated	4,760,866	1,092,525
Board designated	16,451,683	14,571,647
Total without donor restrictions	21,212,549	15,664,172
With donor restrictions		
Temporary in nature	10,083,669	5,700,717
Perpetual in nature	25,214,606	23,834,338
Total with donor restrictions	35,298,275	29,535,055
Total Net Assets	56,510,824	45,199,227
TOTAL LIABILITIES AND NET ASSETS	\$ 69,539,439	\$ 61,648,594

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 12,000,005	\$ 111,561	\$ 12,111,566
In-kind gifts	11,144,370	-	11,144,370
Bequests, annuities, and trusts	9,666,615	426,231	10,092,846
Change in value of deferred gifts	(433,429)	1,836,708	1,403,279
Charitable gift annuities	105,598	-	105,598
Investment income, net	2,884,891	4,378,967	7,263,858
Merchandise sales	230,023	-	230,023
Other income	17,885	-	17,885
PPP loan forgiveness	1,890,700	-	1,890,700
Building tenant rent	1,610,387	-	1,610,387
Net assets released from restrictions	990,247	(990,247)	-
Total support and revenue	40,107,292	5,763,220	45,870,512
Expenses:			
Program services - global ministries	24,966,060	-	24,966,060
Program services - building tenant services	1,150,835	-	1,150,835
Administration	3,278,242	-	3,278,242
Fundraising	5,163,778	-	5,163,778
Total expenses	34,558,915	-	34,558,915
CHANGE IN NET ASSETS	5,548,377	5,763,220	11,311,597
Net assets at beginning of year	15,664,172	29,535,055	45,199,227
Net assets at end of year	\$ 21,212,549	\$ 35,298,275	\$ 56,510,824

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 10,931,418	\$ 130,263	\$ 11,061,681
In-kind gifts	10,935,550	-	10,935,550
Bequests, annuities, and trusts	6,133,321	88,336	6,221,657
Change in value of deferred gifts	(281,332)	3,856,681	3,575,349
Charitable gift annuities	178,598	-	178,598
Investment income, net	125,600	149,588	275,188
Merchandise sales	189,229	-	189,229
Other income	7,312	-	7,312
Building tenant rent	1,541,404	-	1,541,404
Net assets released from restrictions	1,509,417	(1,509,417)	-
Total support and revenue	31,270,517	2,715,451	33,985,968
Expenses:			
Program services - global ministries	25,457,781	-	25,457,781
Program services - building tenant services	1,165,318	-	1,165,318
Administration	3,014,703	-	3,014,703
Fundraising	5,051,937	-	5,051,937
Total expenses	34,689,739	-	34,689,739
CHANGE IN NET ASSETS	(3,419,222)	2,715,451	(703,771)
Net assets at beginning of year	19,083,394	26,819,604	45,902,998
Net assets at end of year	\$ 15,664,172	\$ 29,535,055	\$ 45,199,227

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended May 31, 2021

	Global Ministries	Building Tenant Services	Administration	Fundraising	Total Expenses
Salaries	\$ 4,448,911	\$ -	\$ 1,974,844	\$ 2,163,687	\$ 8,587,442
Employee benefits	1,460,856	-	632,419	711,718	2,804,993
Postage & freight	41,299	11	15,916	442,736	499,962
Printing	274,103	-	278	506,317	780,698
Media production	125,277	-	2,059	6,103	133,439
Media distribution	1,863,732	-	-	-	1,863,732
Contributed station time	11,144,370	-	-	-	11,144,370
Travel	34,188	-	50,212	305,528	389,928
Professional & consulting	203,462	1,600	99,575	404,069	708,706
Insurance, utilities & maintenance	171,430	417,422	51,441	122,481	762,774
District funding	18,967	-	18,409	18,409	55,785
Interest	88,500	108,684	27,862	47,528	272,574
Depreciation and amortization	76,173	373,304	148,468	44,758	642,703
Information processing	398,987	-	163,095	139,250	701,332
International office	3,803,991	-	-	13,980	3,817,971
Other expenses	811,814	249,814	93,664	237,214	1,392,506
	\$ 24,966,060	\$ 1,150,835	\$ 3,278,242	\$ 5,163,778	\$ 34,558,915

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended May 31, 2020

	Global Ministries	Building Tenant Services	Administration	Fundraising	Total Expenses
Salaries	\$ 4,329,914	\$ -	\$ 1,750,141	\$ 1,959,381	\$ 8,039,436
Employee benefits	1,405,296	-	604,421	624,713	2,634,430
Postage & freight	97,062	-	15,078	416,308	528,448
Printing	273,619	-	4,682	590,526	868,827
Media production	114,683	-	479	4,876	120,038
Media distribution	1,963,851	-	-	-	1,963,851
Contributed station time	10,935,550	-	-	-	10,935,550
Travel	286,693	-	142,865	524,493	954,051
Professional & consulting	243,191	5,913	76,838	378,653	704,595
Insurance, utilities & maintenance	254,569	476,410	68,274	114,694	913,947
District funding	37,647	-	-	18,543	56,190
Interest	87,121	79,648	30,839	63,443	261,051
Depreciation and amortization	102,317	323,830	41,843	107,869	575,859
Information processing	253,305	1,880	139,735	103,802	498,722
International office	4,256,958	-	-	-	4,256,958
Other expenses	816,005	277,637	139,508	144,636	1,377,786
	<u>\$ 25,457,781</u>	<u>\$ 1,165,318</u>	<u>\$ 3,014,703</u>	<u>\$ 5,051,937</u>	<u>\$ 34,689,739</u>

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended May 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 11,311,597	\$ (703,771)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Depreciation	598,543	562,918
Realized and unrealized losses (gains)	(7,081,405)	(23,814)
In-kind contribution of property and investments	(1,238,938)	(502,314)
Forgiveness of PPP loan	(1,890,700)	-
Change in value of beneficial interests in trusts	(841,048)	(3,862,444)
Change in value of irrevocable deferred gifts	(995,660)	5,764
Change in deferred value of gift annuity liabilities	433,429	281,332
Loss on disposal of property and equipment	82	2,612
(Increase) decrease in assets -		
Estate and other receivables, net	462,221	979,692
Branch office cash advance	(163,887)	174,943
Prepaid expenses and other assets	(211,491)	109,349
Increase (decrease) in liabilities -		
Accounts payable and accruals	143,104	(76,823)
Custodial fund liabilities	35,678	642
Gift annuity liabilities	(273,961)	25,828
Other liabilities	130,528	(108,778)
Net cash provided by (used in) operating activities	418,092	(3,134,864)
Cash flows from investing activities:		
Purchases of investments	(87,667,252)	(14,179,063)
Proceeds from sale of investments	89,159,923	15,467,155
Purchases of property and equipment	(537,712)	(1,017,718)
Net cash provided by investing activities	954,959	270,374
Cash flows from financing activities:		
Proceeds from line of credit	1,000,051	3,350,000
Payments on line of credit	(2,900,000)	(1,650,051)
Proceeds from notes payable	-	1,890,700
Payments on notes payable	(98,881)	-
Net cash provided by (used in) financing activities	(1,998,830)	3,590,649
NET INCREASE (DECREASE) IN CASH	(625,779)	726,159
Cash, beginning of year	1,789,292	1,063,133
Cash, end of year	\$ 1,163,513	\$ 1,789,292
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for -		
Interest paid	\$ 272,574	\$ 261,051
Unrelated business income taxes paid	\$ 13,525	\$ 21,117

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The International Lutheran Laymen's League and its subsidiaries (the "Organization"), also known as Lutheran Hour Ministries, is a not-for-profit organization which serves as the media evangelism auxiliary of the Lutheran Church-Missouri Synod and the Lutheran Church-Canada. The Organization does this by developing culturally relevant programs and resources that proclaim the Gospel to the un-churched, both domestically and around the world, and providing those people who are reached through these ministry efforts an opportunity to respond and connect with the church.

The Lutheran Hour Ministries Foundation (the "Foundation") was established to generate interest in, and funds for, the ministries of the International Lutheran Laymen's League (the "League") and manage the assets of the Foundation.

Consolidation Policy

The consolidated financial statements include the accounts of the International Lutheran Laymen's League (and its subsidiaries LHM Holdings, Inc. and BCTN Holdings, Inc.), and the Lutheran Hour Ministries Foundation. All significant intercompany transactions are eliminated in the consolidated financial statements.

The Foundation, due to substantial organizational control by the Organization, is consolidated in these financial statements.

Basis of Presentation

The consolidated financial statements have been prepared using the accrual basis of accounting. Additionally, the financial statement presentation follows the requirements of *Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958*, which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions which are either temporary or perpetual in nature.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are not restricted by donor-imposed stipulations, either temporary or perpetual in nature, and include revenue from fees, certain investment income, and all unrestricted gifts, grants, and contributions. Undesignated amounts are those currently available at the discretion of the Board for use in the Organization's operations. In addition, the Board has designated certain funds for the purposes of providing additional security for its gift annuities and endowments for funding certain fundraising activities and other purposes.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions that are temporary in nature represent contributions, pledges receivable, deferred gifts, and undistributed investment earnings on donor-restricted endowments that are restricted by donors for specific purposes or time periods.

Net assets with donor restrictions that are perpetual in nature include beneficial interest in trusts held outside of the Organization and perpetual endowments held by the Foundation and established for the benefit of the League. These donor-imposed restrictions stipulate that the original contribution be maintained perpetually and permit the Foundation, which holds the endowment funds, to distribute payouts according to the board approved endowment distribution policy.

Contributions and Other Revenues

Substantially all of the Organization's revenues result from contributions, bequests, special grants, and investment income, which are recognized as income when received or accrued and are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. In addition, unconditional promises to give are recorded in the year made, less an allowance for doubtful collections. Conditional promises to give are recognized when the conditions upon which they were given are substantially met.

Exchange revenue consists of merchandise sales, royalty income, and fees charged to outside organizations for custodial services. Merchandise sales are point in time transactions, while royalty income and custodial fees are over-time transactions. The fees are assessed at up to 1% of the funds. Management has elected to apply a practical expedient to recognize service fee revenue on a portfolio basis when recognizing revenue from contracts whose terms and conditions are similar in nature. The Organization does not refund these fees and therefore, no liability for refunds is reported at May 31, 2021 and 2020.

Cash and Cash Equivalents

The Organization's cash is on deposit with major domestic financial institutions. At times, bank deposits may exceed federally insured limits. Highly liquid investments with initial maturities of three months or less are considered cash equivalents and reported as cash.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Investments

Investments are stated at fair value. Investment income is recognized when earned. The change in unrealized gains and losses are included in the changes in net assets in the accompanying consolidated statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Estate Gifts and Other Receivables

Estate gifts which are due and not received as of the financial statement date are accrued as receivables. Unless affirmed by subsequent events, it is the Organization's practice to establish a 5% holdback for additional fees and adverse market fluctuations. Receivables are also established to recognize investment income due. Since all estate gifts are to be received within 1 year, receivables are recorded as contributions without donor restriction unless the gift has a specific purpose restriction. Other receivables are those resulting from the normal course of operations such as accrued investment income, rent receivable, and life estate in pledged property.

Branch Office Cash Advances

Branch office cash advances held in foreign banks are reflected at the U.S. Dollar value after adjustments are made for differences in the exchange rates.

Property and Equipment

Property and equipment maintained in the United States are stated at cost, net of depreciation, which is computed using the straight-line method over the estimated useful service life of the assets (building and improvements - 50 years or remaining useful life, furniture and equipment and software - 3 to 10 years). Foreign property is expensed when purchased. Additions and betterments of \$1,000 for computer equipment and \$2,500 or more for other assets are capitalized, while repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed currently.

Impairment of Long-Lived Assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended May 31, 2021 and 2020, management determined that no impairment loss needs to be recognized.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets temporary in nature to net assets without donor restrictions at that time.

Donated Other Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Volunteer Services

No amounts have been reflected in the consolidated financial statements for donated volunteer services as the criteria for recognition has not been met under FASB ASC 958-605. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific ministry programs, campaign solicitations, and various committee assignments.

Donated Air Time

The value of donated radio and television time has been reflected as contributions without donor restrictions and as domestic and foreign ministry expenses in the accompanying consolidated financial statements at fair value on the date of the contribution.

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective June 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach. Adoption of Topic 606 did not have a significant impact on the Organization.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization uses various methods to determine the allocation of expenses. Building tenant services allocations are based on square footage. Depreciation, information processing, and shared services are allocated based on staff counts, and the president's office and communications-related expenses are allocated based on management estimates of time and effort.

Use of Estimates in Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Paycheck Protection Program Loan

The Small Business Administration Paycheck Protection Program ("PPP") loan obtained by the League was presented as a liability until forgiven or paid back. When the loan was forgiven in full and legal release was received in May 2021, the League reduced the liability by the loan balance and recorded the income as PPP loan forgiveness.

Reclassifications

Certain amounts on the 2020 financials have been reclassified, where appropriate, to conform to the financial statement presentation used in 2021. Changes in net assets are unchanged due to the reclassifications.

Subsequent Events

Management has evaluated all subsequent events and transactions through September 24, 2021, the date the consolidated financial statements were available to be issued. No subsequent events require recognition in the consolidated financial statements.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 2 - Income Tax Status

The Organization and Foundation are exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code except as to unrelated business income. The Organization's subsidiary, BCTN Holdings, Inc, files Form 990-T for unrelated business income. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings and believes that no provision for income taxes is necessary to cover any uncertain tax positions.

Note 3 - Concentration of Risk

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Note 4 - Fair Value Measurements and Investments

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

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical available and liquid assets or liabilities.

Level 2: Observable inputs based on quoted prices in non-active markets or in active markets for similar assets or liabilities. Inputs other than quoted prices that are observable, or inputs that are not directly observable, but are corroborated by observable market data.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 4 - Fair Value Measurements and Investments (Continued)

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities requiring management judgments and estimations based on available market data.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Common stocks and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the funds. Mutual funds held by the Organization are open end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The mutual funds held by the Organization are deemed to be actively traded.

Collective Trust Funds: Valued at the NAV of units of a collective trust. The NAV, as provided by the custodian, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Transactions (purchased and sales) may occur daily.

Real estate investments: Valued at the most recent appraised value.

Deferred gifts: Irrevocable deferred gifts are valued at the present value of expected future cash receipts adjusted for the actuarial life expectancy of the gift annuitants including survivors. Beneficial interests in trust are valued at the present value of expected receipts for the duration of the trust where stated. Where the trust is perpetual, a life of 99 years was used.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 4 - Fair Value Measurements and Investments (Continued)

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Investment Committee of the Foundation Board of Directors and the Budget and Finance Committee of the Organization Board of Directors assess and approve these policies and procedures. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended May 31, 2021 and 2020.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall at May 31, 2021 and 2020:

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 4 - Fair Value Measurements and Investments (Continued)

<u>2021</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities - stocks	\$ 42,241	\$ 42,241	\$ -	\$ -
Government securities	257,826	257,826	-	-
Real estate investments	909,305	-	-	909,305
Investment funds:				
Mutual funds				
Equity funds	19,478,282	19,478,282	-	-
Fixed income funds	8,558,410	8,558,410	-	-
Total mutual funds	<u>28,036,692</u>	<u>28,036,692</u>	<u>-</u>	<u>-</u>
Total levelled investments	<u>29,246,064</u>	<u>28,336,759</u>	<u>-</u>	<u>909,305</u>
Collective trust funds:				
Equity funds	2,505,415			
Fixed income funds	654,991			
Total collective trust funds	<u>3,160,406</u>			
Cash equivalents	414,694			
Certificates of deposit	7,000			
Total investments	<u>\$ 32,828,164</u>			
Deferred gifts				
Irrevocable deferred gifts	\$ 5,306,545	\$ -	\$ -	\$ 5,306,545
Beneficial interest in trusts	10,563,881	-	-	10,563,881
	<u>\$ 15,870,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,870,426</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 4 - Fair Value Measurements and Investments (Continued)

2020	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities - stocks	\$ 30,704	\$ 30,704	\$ -	\$ -
Government securities	213,838	213,838	-	-
Investment funds:				
Mutual funds				
Equity funds	2,093,389	2,093,389	-	-
Fixed income funds	3,713,804	3,713,804	-	-
Total mutual funds	<u>5,807,193</u>	<u>5,807,193</u>	<u>-</u>	<u>-</u>
Total levelled investments	<u>6,051,735</u>	<u>6,051,735</u>	<u>-</u>	<u>-</u>
Collective trust funds:				
Equity funds	13,762,906			
Fixed income funds	5,891,549			
Total collective trust funds	<u>19,654,455</u>			
Cash equivalents	294,302			
Total investments	<u>\$ 26,000,492</u>			
Deferred gifts				
Irrevocable deferred gifts	\$ 4,310,885	\$ -	\$ -	\$ 4,310,885
Beneficial interest in trusts	9,722,833	-	-	9,722,833
	<u>\$ 14,033,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,033,178</u>

The following tables summarize investments measured at fair value based on NAV per share as of May 31, 2021 and 2020:

2021				
Investment Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trust funds	\$ 3,160,406	-	Daily	Daily
2020				
Investment Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trust funds	\$ 19,654,455	-	Daily	Daily

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 4 - Fair Value Measurements and Investments (Continued)

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended May 31, 2021:

Level 3 inputs by category	Real Estate	Deferred Gifts	Total
May 31, 2020	\$ -	\$ 14,033,718	\$ 14,033,718
Additions	909,305	569,557	1,478,862
Change in value	-	1,471,762	1,471,762
Sales or pay down of principal	-	(204,611)	(204,611)
May 31, 2021	<u>\$ 909,305</u>	<u>\$ 15,870,426</u>	<u>\$ 16,779,731</u>

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended May 31, 2020:

Level 3 inputs by category	Real Estate	Deferred Gifts	Total
May 31, 2019	\$ 28,621	\$ 10,177,038	\$ 10,205,659
Additions	-	284,922	284,922
Change in value	-	3,824,769	3,824,769
Sales or pay down of principal	(28,621)	(253,011)	(281,632)
May 31, 2020	<u>\$ -</u>	<u>\$ 14,033,718</u>	<u>\$ 14,033,718</u>

Net investment income (loss) at May 31, 2021 consists of the following:

	Undesignated	Board Designated	Temporary In Nature	Total
Dividends and interest	\$ 5,680	\$ 114,199	\$ 164,585	\$ 284,464
Realized gain	4,949	1,668,029	3,707,052	5,380,030
Unrealized gain	-	1,121,337	580,038	1,701,375
Investment management fees	-	(29,303)	(72,708)	(102,011)
	<u>\$ 10,629</u>	<u>\$ 2,874,262</u>	<u>\$ 4,378,967</u>	<u>\$ 7,263,858</u>

Net investment income (loss) at May 31, 2020 consists of the following:

	Undesignated	Board Designated	Temporary In Nature	Total
Dividends and interest	\$ 13,721	\$ 151,143	\$ 199,922	\$ 364,786
Realized gain	1,125	220,787	228,718	450,630
Unrealized loss	5,546	(221,880)	(210,482)	(426,816)
Investment management fees	(50)	(44,792)	(68,570)	(113,412)
	<u>\$ 20,342</u>	<u>\$ 105,258</u>	<u>\$ 149,588</u>	<u>\$ 275,188</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 4 - Fair Value Measurements and Investments (Continued)

The Foundation also manages custodial funds on behalf of certain of the League's districts and zones. Net investment income (losses) associated with custodial funds were \$35,681 and \$1,008 at May 31, 2021 and 2020, respectively.

Note 5 - Estate Gifts and Other Receivables

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Estate gifts	\$ 2,525,417	\$ 3,040,977
Allowance for change in valuation	<u>(85,603)</u>	<u>(147,954)</u>
	2,439,814	2,893,023
Other receivables	<u>387,535</u>	<u>396,547</u>
Total estate gifts and other receivables	\$ <u>2,827,349</u>	\$ <u>3,289,570</u>

Note 6 - Irrevocable Deferred Gifts

The Organization is beneficiary of various irrevocable deferred gifts administered by the Lutheran Church-Missouri Synod Foundation and other organizations. The actuarial present value of these contracts amounts to \$5,306,545 at May 31, 2021 and \$4,310,885 at May 31, 2020 and have been reflected in these consolidated financial statements as a receivable and as net assets with donor restrictions that are temporary in nature due to time restrictions. When the contracts mature, the current value will be re-classed as without donor restrictions, temporary in nature, or perpetual in nature net assets based on the donor restrictions.

In addition, the Organization is currently beneficiary of contracts at May 31, 2021 on which the beneficiary can be changed. The actuarial present value of these contracts amounted to \$1,820,764 and \$1,420,474 at May 31, 2021 and 2020, respectively. These amounts have not been reflected in these consolidated financial statements.

Note 7 - Beneficial Interest in Trusts

The Organization is the beneficiary of numerous annual trust and endowment distributions during the year from various third-party trustees. Based on the information available, which includes the applicable trust or other distribution documents and the latest available asset valuations, the present value of future distributions was determined and included in the consolidated financial statements in the amount of \$10,563,881 and \$9,722,833 at May 31, 2021 and 2020, respectively.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 8 - Prepaid Expenses and Other Assets

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Unamortized capital leasing costs	\$ 374,541	\$ 227,862
Insurance policies – cash surrender value	377,539	366,214
Other prepaid expenses	<u>145,580</u>	<u>92,093</u>
Total prepaid expenses and other assets	<u>\$ 897,660</u>	<u>\$ 686,169</u>

Note 9 - Property and Equipment

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 20,012,242	\$ 19,958,157
Equipment and furniture	1,686,045	1,633,871
Software	<u>1,371,804</u>	<u>956,044</u>
	<u>23,070,091</u>	<u>22,548,072</u>
Less accumulated depreciation	<u>(11,155,827)</u>	<u>(10,572,895)</u>
	<u>11,914,264</u>	<u>11,975,177</u>
Land	<u>3,475,000</u>	<u>3,475,000</u>
	<u>\$ 15,389,264</u>	<u>\$ 15,450,177</u>
Depreciation expense	<u>\$ 598,543</u>	<u>\$ 562,918</u>

Note 10 - Gift Annuities and Other Liabilities

Gift annuities and custodial arrangements are established by donors and related entities respectively, for the benefit of the Organization and related organizations.

The Foundation established a gift annuity program in which donors make an irrevocable gift to the Foundation and receive an annuity payment for their lifetime and/or their survivor's lifetime. At their death, the Foundation will receive the balance of the annuity. The gift values are based on rates established by the Internal Revenue Service and the payments to the individuals are generally based on rates suggested by the American Council on Gift Annuities which range from 4.1% to 9.5% as of May 31, 2021 and 4.1% to 10.0% as of May 31, 2020. Under the counsel of State Street Global Advisors, the Foundation is in compliance with the reserve requirements and limitations on investments of the states in which the gift annuity contracts have been written.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 10 - Gift Annuities and Other Liabilities (Continued)

Annuity reserves were determined by State Street Global Advisors using the mortality tables as recommended by the American Council on Gift Annuities at May 31, 2021 and 2020. However, for gift annuities issued in the State of California, the annuity reserves were determined by State Street Global Advisors using the mortality tables as required by the California Department of Insurance.

Because of state regulations concerning the number of years of continuous service required for initial registration in the state, the gift annuity programs for the States of California, Wisconsin, Illinois, and New York are being operated by the League.

Change in Gift Annuity Liabilities:

May 31, 2021

	<u>League</u>	<u>Foundation</u>	<u>Total</u>
Beginning gift annuity liabilities	\$ 732,774	\$ 2,397,648	\$ 3,130,422
Liabilities from newly issued gift annuities	14,847	115,855	130,702
Payments to annuitants	(118,854)	(285,809)	(404,663)
Change in value of deferred gift annuities	<u>91,855</u>	<u>341,574</u>	<u>433,429</u>
Ending gift annuity liabilities	<u>\$ 720,622</u>	<u>\$ 2,569,268</u>	<u>\$ 3,289,890</u>

May 31, 2020

	<u>League</u>	<u>Foundation</u>	<u>Total</u>
Beginning gift annuity liabilities	\$ 707,319	\$ 2,115,943	\$ 2,823,262
Liabilities from newly issued gift annuities	23,144	387,758	410,902
Payments to annuitants	(107,844)	(277,230)	(385,074)
Change in value of deferred gift annuities	<u>110,155</u>	<u>171,177</u>	<u>281,332</u>
Ending gift annuity liabilities	<u>\$ 732,774</u>	<u>\$ 2,397,648</u>	<u>\$ 3,130,422</u>

Note 11 - Line of Credit

The Organization has a revolving line of credit balloon note with the Lutheran Church Extension Fund (LCEF) with interest charged at the prevailing rate when funds were loaned of \$3,500,000 on October 31, 2017, with a maturity date of October 31, 2020. The Organization renewed the line of credit with LCEF with a new maturity date of November 16, 2023. The Organization was obligated on these lines of credit for \$-0- and \$1,899,949 at May 31, 2021 and 2020, respectively.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 12 - Notes Payable

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Note payable to the Lutheran Church Extension Fund with interest only due for 36 months, then amortizable for 20 years on a 30-year amortization schedule with a balloon payment at the end of that time. This promissory note is secured by office property at 660 Mason Ridge Center Drive, Town and Country, Missouri with a net book value of \$13,827,721. The initial interest rate of 2.875% is fixed until October 31, 2022, after which it is adjustable every five years.	\$ 7,901,119	\$ 8,000,000
Payroll Protection Plan (PPP) note payable taken on April 15, 2020 to Commerce Bank with no interest only due until November 1, 2020, then amortizable for 18 months. This Promissory note is unsecured. The interest rate of 1.0% is fixed beginning on November 15, 2020. Under the Payroll Protection Plan, this loan was used to pay for qualified expenses incurred during the initial 24 weeks, and was fully forgiven in May 2021.	<u>-</u>	<u>1,890,700</u>
	<u>\$ 7,901,119</u>	<u>\$ 9,890,700</u>

Following are maturities of the note payable principal for each of the next five fiscal years ending May 31:

2022	173,413
2023	178,465
2024	183,664
2025	189,014
2026	194,521
Thereafter	<u>6,982,042</u>
	<u>\$ 7,901,119</u>

Management has determined that it is in compliance with the debt service coverage ratio loan covenant for the mortgage loan with LCEF for the year ended May 31, 2021. There were no missed payments or defaults, and the Organization is confident that it will meet all obligations under the mortgage loan agreement. Management believes that the Organization is in compliance with all other loan covenants of the LCEF mortgage loan agreement.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 12 - Notes Payable (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the new Paycheck Protection Program ("PPP"). The Organization applied and was awarded a loan in the amount of \$1,890,700 from Commerce Bank under the PPP on April 15, 2020.

The loan charged deferred interest at 1% with any accrued interest to be forgiven along with the principal balance. This loan was unsecured, and all unpaid principal and interest was due upon maturity on April 16, 2022, if not forgiven. As of May 31, 2020, the notes payable balance was \$1,890,700.

Loans made under the PPP could be forgiven if certain conditions are met. The loan was used for qualified expenses under the PPP guidelines, and the Organization applied for full forgiveness. In May 2021, the Organization was granted full forgiveness for the loan. The liability was extinguished, and the Organization recorded \$1,890,700 as income classified as PPP loan forgiveness in the year ended May 31, 2021.

Note 13 - Employee Benefits

The Organization participates in the worker benefit plans (the "Plans") of The Lutheran Church-Missouri Synod. Substantially all full-time employees are covered by the Concordia Retirement Plan (CRP), Concordia Retirement Savings Plan (CRSP), and the Concordia Disability and Survivor Plan (CDSP). The CRP and CRSP provide workers with income during retirement. All full-time workers (those employed more than 20 hours per week and more than 5 consecutive months a year) are eligible. Eligible members in the CRP are vested after five years of creditable service. Eligible members in the CRSP are 100% vested in all contributions and earnings. The CDSP provides a disability benefit (for the worker) and a pre-retirement lump-sum death benefit (for the worker and enrolled dependents). All full-time workers (those employed more than 20 hours per week and more than 5 consecutive months a year) must be offered the opportunity to enroll themselves and eligible dependents in the CDSP. The CDSP pays a monthly income benefit equal to 70% of an employee's monthly compensation when a worker becomes disabled due to a qualifying disability. The Organization contributes a fixed percentage of each participant's salary to the plans. The Plans also provide health and welfare benefits covering substantially all full-time employees (those employed 30 hours or more per week) and their families.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 13 - Employee Benefits (Continued)

Total expenses for the Plans are as follows as of May 31:

	<u>2021</u>	<u>2020</u>
CRP, CRSP, and CDSP plans	\$ 835,856	\$ 800,968
Health and welfare	\$1,438,756	\$1,343,727

There were no significant changes in the Organization's relationships to the Plans or changes that would affect the comparability to the Plans during the fiscal year ended May 31, 2021. There were no contingent liabilities associated with the Plans at May 31, 2021 and 2020. Currently, the Organization has no intention to withdraw from the Plans and the contributions and level of participation represent a small percentage of the Plans.

Note 14 - Net Assets Without Donor Restrictions - Board Designated

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Gift annuities reserve	\$ 2,767,234	\$ 1,850,729
Other retained annuity excess earnings	39,238	111,579
Board designated endowment funds	646,431	850,206
Net investment in property and equipment	7,375,476	7,375,476
Operating reserve	<u>5,623,304</u>	<u>4,383,657</u>
	<u>\$16,451,683</u>	<u>\$14,571,647</u>

Note 15 - Net Assets With Donor Restrictions – Temporary In Nature

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Restricted by program		
Restricted contributions	\$ 49,854	\$ 179,502
Undistributed endowment earnings	1,092,205	288,961
Restricted by time		
Undistributed endowment earnings	3,573,724	857,357
Beneficial interest in trusts	61,341	64,012
Irrevocable deferred gifts	<u>5,306,545</u>	<u>4,310,885</u>
	<u>\$10,083,669</u>	<u>\$ 5,700,717</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets with donor restrictions released for program restrictions were \$130,889 and \$107,945 and for time restrictions were \$859,356 and \$1,401,472 for the years ended May 31, 2021 and 2020, respectively.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 16 - Net Assets With Donor Restrictions – Perpetual In Nature

<u>May 31</u>	<u>2021</u>	<u>2020</u>
Donor-restricted endowments	\$ 14,712,066	\$ 14,175,517
Beneficial interest in trusts	<u>10,502,540</u>	<u>9,658,821</u>
	<u>\$ 25,214,606</u>	<u>\$ 23,834,338</u>

Note 17 - Revenue

Disaggregation of Revenue

The following tables present exchange contracts with customers disaggregated by revenue source and pattern of revenue recognition:

	Year Ended May 31, 2021		
	<u>Point in Time</u>	<u>Over-Time</u>	<u>Total</u>
Merchandise sales			
Product sales	\$ 209,292	\$ -	\$ 209,292
Royalty income	-	20,731	20,731
Custodial account fees	-	6,319	6,319
Total	<u>\$ 209,292</u>	<u>\$ 27,050</u>	<u>\$ 236,342</u>

	Year Ended May 31, 2020		
	<u>Point in Time</u>	<u>Over-Time</u>	<u>Total</u>
Merchandise sales			
Product sales	\$ 175,074	\$ -	\$ 175,074
Royalty income	-	14,155	14,155
Custodial account fees	-	13,450	13,450
Total	<u>\$ 175,074</u>	<u>\$ 27,605</u>	<u>\$ 202,679</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 18 - Endowment Policies

The investment objectives of the Foundation endowment funds are designed to produce the desired long-term real growth over inflation and sufficient income for expenses and the desired annual spending from the Foundation funds. The assets are to be invested with the care, skill, prudence, and diligence that a prudent person acting at those times in a like capacity and familiar with such matters would use in the investment of a fund of like character, with like aims and consideration given to the tax-exempt status of the Foundation. Effective as of April 2021, the targeted investment asset mix is currently 64.5% equities, 20.5% fixed income, 10% real assets, and 5% alternative investments. The Foundation honors donors' specific, written restrictions or directives. The endowment distribution policy follows the requirements of the State of Missouri's Uniform Prudent Management of Institutional Funds Act. The distribution is a quarterly distribution of 1.25% of the average market value of endowment assets for the preceding twelve quarters. No distributions will be made from new named endowments during the first four quarters after initial receipt of funds.

To ensure a perpetual source of payout to support the League, the Foundation strives to maintain the market value of the endowments on an aggregate basis equal to their total historic dollar value when received. The distribution policy has been established to provide predictable and consistent endowment distributions through most investment market cycles. Since prolonged or unusual investment market declines may push endowments underwater (market value less than historic gift value), the Board of Directors will review the status of underwater endowments prior to the end of the fiscal year and determine whether distributions will be made for the following year. Most of the endowment funds permit invasion of corpus not to exceed 10% on an annual basis in the event of extraordinary circumstances requiring the emergency expenditure of funds and only with the approval of the Foundation Board of Trustees.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the total amount of the gifts made to the endowment by the donor. Cumulative deficiencies of this nature that are reported with donor restrictions were \$-0- for all endowments as of May 31, 2021 and \$118,413 for twenty-five named endowments as of May 31, 2020. These deficiencies resulted from unfavorable market fluctuations.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 18 - Endowment Policies (Continued)

The endowment assets were moved to Central Trust Company of St. Louis, Missouri in December 2020. The funds were invested under the Foundation's Investment Plan Statement revised in April 2021.

The changes in and composition of endowment net assets for the year ended May 31, 2021 are as follows:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Endowment net assets – Beginning of year	\$ 850,206	\$ 1,146,318	\$ 14,175,518	\$ 16,172,042
Contributions	-	-	536,548	536,548
Net investment income:				
Dividends and interest	8,282	164,585	-	172,867
Net realized gains	283,567	3,707,052	-	3,990,619
Net change in unrealized losses	(64,286)	580,038	-	515,752
Investment management fees	(3,740)	(72,708)	-	(76,448)
Total net investment gain	223,823	4,378,967	-	4,602,790
Release of endowment funds:				
Endowment distributions to the League	(45,413)	(834,772)	-	(880,185)
Foundation expenses	(382,185)	(24,584)	-	(406,769)
Total endowment funds released	(427,598)	(859,356)	-	(1,286,954)
Endowment net assets – End of year	\$ 646,431	\$ 4,665,929	\$ 14,712,066	\$ 20,024,426

The changes in and composition of endowment net assets for the year ended May 31, 2020 are as follows:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Endowment net assets – Beginning of year	\$ 891,090	\$ 1,858,204	\$ 14,045,714	\$ 16,795,008
Contributions	-	-	129,804	129,804
Net investment income:				
Dividends and interest	10,882	199,919	-	210,801
Net realized gains	12,572	228,718	-	241,290
Net change in unrealized losses	(11,218)	(210,481)	-	(221,699)
Investment management fees	(3,775)	(68,570)	-	(72,345)
Total investment losses	8,461	149,586	-	158,047
Release of endowment funds:				
Endowment distributions to the League	(46,852)	(815,977)	-	(862,829)
Foundation expenses	(2,493)	(45,495)	-	(47,988)
Total endowment funds released	(49,345)	(861,472)	-	(910,817)
Endowment net assets – End of year	\$ 850,206	\$ 1,146,318	\$ 14,175,518	\$ 16,172,042

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 18 - Endowment Policies (Continued)

Endowment net asset composition by type of funds as of May 31, 2021:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Donor-designated gifts	\$ -	\$ -	\$ 14,712,066	\$ 14,712,066
Accum. earnings on donor gifts	-	4,665,929	-	4,665,929
Board-designated	646,431	-	-	646,431
	<u>\$ 646,431</u>	<u>\$ 4,665,929</u>	<u>\$ 14,712,066</u>	<u>\$ 20,024,426</u>

Endowment net asset composition by type of funds as of May 31, 2020:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Donor-designated gifts	\$ -	\$ -	\$ 14,175,518	\$ 14,175,518
Accum. earnings on donor gifts	-	1,146,318	-	1,146,318
Board-designated	850,206	-	-	850,206
	<u>\$ 850,206</u>	<u>\$ 1,146,318</u>	<u>\$ 14,175,518</u>	<u>\$ 16,172,042</u>

Note 19 - Contributed Radio and Television Station Time

A portion of the Organization's radio station time has been donated by local sponsors. The value of the time contributed by local sponsors was \$1,950,673 and \$1,874,785 for the years ended May 31, 2021 and 2020, respectively. In addition, the Organization also received free radio and television time from local stations valued at \$9,193,697 and \$9,060,765 for the years ended May 31, 2021 and 2020, respectively.

Note 20 - Commitments

The Organization has entered into numerous contracts with various hotels and convention center facilities for future planned conferences. Some of these contracts contain penalty clauses for cancellation which could be material depending upon the contract and the date of cancellation. The penalties are based upon rooms reserved, anticipated hotel, food and beverage revenues and other damages. The potential liability for such damages, if incurred, cannot presently be determined. At May 31, 2021, the Organization does not intend to cancel any of these commitments.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 21 - Future Rental Income

The Organization leases space to outside entities. These rental agreements are typically multi-year periods and are accounted for as operating leases.

Rental income is reported as earned over the term of the lease. Future minimum rental income under these leases is as follows:

2022	1,495,734
2023	976,684
2024	970,368
2025	975,263
2026	996,799
Thereafter	4,692,107

It is management's intent to seek renewal of these leases as they expire.

Note 22 - Liquidity and Availability of Resources

	<u>2021</u>	<u>2020</u>
Financial assets, at year end	\$ 37,382,089	\$ 31,478,530
Less those unavailable for general expenditures within one year, due to:		
Investments:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(19,377,995)	(15,321,836)
Board-designations:		
Board-designated quasi-endowments and funds	(685,669)	(961,785)
Set aside for gift annuity liability and reserves	(6,057,124)	(4,981,151)
LHM Operating Reserve Fund	(5,623,304)	(4,383,657)
Custodial funds:		
Funds held as custodian for other organizations	(160,343)	(124,665)
Contributions and pledges with donor restrictions	<u>(49,857)</u>	<u>(179,503)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>5,427,797</u>	\$ <u>5,525,933</u>

The Organization is partially funded by restricted contributions to the League, gift annuity contributions, and endowment donations to the Foundation. Donor restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2021 and 2020

Note 22 - Liquidity and Availability of Resources (Continued)

Gift annuity obligations to annuitants and beneficiaries are supported by reserve funds held in the gift annuity investment portfolios. The investment mix provides a strategy for long-term growth and short-term liquidity to meet the cash needs for annuity payments and distributions. The Foundation maintains these funds at a level that meets or exceeds state regulatory requirements to cover annuity liabilities and provides sufficient access to cash when needed. The Organization has approximately \$1,945,000 of reserves above state regulatory requirements available to cover other expenses as of May 31, 2021.

Board designated quasi-endowments are funds set aside by the board for long-term purposes. The Foundation invests these funds for long-term growth and makes quarterly distributions to the League. These funds, totaling \$685,669 on May 31, 2021, are available to be released from designation by the Board if necessary, to meet the needs of the Organization.

Quarterly distributions of 1.25% from the donor-restricted and board-designated endowments held in the Foundation are transferred to the League to meet its obligations. These distributions are expected to be approximately \$900,000 in fiscal year 2021-2022.

The Organization maintains a line of credit in the amount of \$3,500,000 to provide liquidity when necessary.

The League has a board-designated operating reserve fund that is invested in the Foundation as a custodial fund. The fund distributes 1.25% of portfolio balance on a quarterly basis to the League. The balance of the fund on May 31, 2021 was \$5,623,304 and is available to the Board to be released as needed to cover expenses. There is a mortgage covenant requiring the Organization to maintain a minimum balance of \$3,000,000 in the operating reserve fund.

The Organization also owns donor-contributed life insurance policies with a goal of holding them until maturity. These policies had a cash surrender value of \$377,539 on May 31, 2021, which would be available to management if needed to cover expenses.

Supplemental Information

Independent Auditor's Report on Supplemental Information

Board of Directors
International Lutheran Laymen's League and Subsidiaries
St. Louis, Missouri

We have audited the consolidated financial statements of the International Lutheran Laymen's League and Subsidiaries as of and for the year ended May 31, 2021, and our report thereon dated September 24, 2021, expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplemental information, as listed in the table of contents on pages 33 through 34, is presented for purposes of additional analysis of the consolidated financial statements and is not a required part of the consolidated 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Armanino^{LLP}
St. Louis, Missouri

September 24, 2021

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidating Schedule of Financial Position

Year ended May 31, 2021

	Organization	Foundation	Total
ASSETS			
Cash	\$ 1,072,216	\$ 91,297	\$ 1,163,513
Investments	2,460,699	30,367,465	32,828,164
Estate gifts and other receivables, net	2,813,072	14,277	2,827,349
Branch office cash advances	563,063	-	563,063
Prepaid expenses and other assets, net	897,660	-	897,660
Irrevocable deferred gifts	5,306,545	-	5,306,545
Beneficial interest in trusts	10,563,881	-	10,563,881
Property and equipment, net	15,389,264	-	15,389,264
TOTAL ASSETS	\$ 39,066,400	\$ 30,473,039	\$ 69,539,439
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accruals	\$ 767,642	\$ 614	\$ 768,256
Line of credit	-	-	-
Custodial funds	-	160,343	160,343
Other liabilities	909,007	-	909,007
Intercompany (receivable) payable	(5,917,530)	5,917,530	-
Gift annuity liabilities	720,622	2,569,268	3,289,890
Notes payable	7,901,119	-	7,901,119
Total Liabilities	4,380,860	8,647,755	13,028,615
Net Assets			
Without donor restrictions			
Unrestricted	4,760,866	-	4,760,866
Board designated	14,004,394	2,447,289	16,451,683
With donor restrictions			
Temporary in nature	5,417,740	4,665,929	10,083,669
Perpetual in nature	10,502,540	14,712,066	25,214,606
Total Net Assets	34,685,540	21,825,284	56,510,824
TOTAL LIABILITIES AND NET ASSETS	\$ 39,066,400	\$ 30,473,039	\$ 69,539,439

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidating Schedule of Activities

Year ended May 31, 2021

	Organization	Foundation	Total
Support and Revenue:			
Contributions	\$ 12,001,249	\$ 110,317	\$ 12,111,566
In-kind gifts	11,144,370	-	11,144,370
Bequests, annuities, and trusts	9,666,615	426,231	10,092,846
Change in value of deferred gifts	1,744,853	(341,574)	1,403,279
Charitable gift annuities	15,153	90,445	105,598
Investment income	1,589,298	5,674,560	7,263,858
Merchandise sales	230,023	-	230,023
Other income	11,566	6,319	17,885
PPP loan forgiveness	1,890,700	-	1,890,700
Building tenant rent	1,610,387	-	1,610,387
Total support and revenue	39,904,214	5,966,298	45,870,512
Expenses:			
Operating expenses			
Program services - global ministries	24,966,060	-	24,966,060
Program services - building tenant services	1,150,835	-	1,150,835
Administration	3,278,242	-	3,278,242
Fundraising	4,630,228	533,550	5,163,778
Total expenses	34,025,365	533,550	34,558,915
Transfers from Foundation to the League			
Endowment and other fund distributions	996,886	(996,886)	-
CHANGE IN NET ASSETS	6,875,735	4,435,862	11,311,597
Net assets at beginning of year	28,513,576	17,389,422	45,902,998
Net assets at end of year	\$ 35,389,311	\$ 21,825,284	\$ 57,214,595