

LUTHERAN WOMEN'S MISSIONARY LEAGUE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE PERIODS APRIL 1, 2019 TO MARCH 31, 2021
AND APRIL 1, 2017 TO MARCH 31, 2019

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Independent Auditors' Report

Board of Directors
Lutheran Women's Missionary League
St. Louis, Missouri

We have audited the accompanying financial statements of Lutheran Women's Missionary League (a not-for-profit organization), which comprise the statements of financial position as of March 31, 2021 and 2019, and the related statements of activities, functional expenses, and cash flows for the period April 1, 2019 to March 31, 2021 and the related statements of activities and cash flows for the period April 1, 2017 to March 31, 2019, 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 audits 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 Lutheran Women's Missionary League as of March 31, 2021 and 2019, and the results of its operations and its cash flows for the periods April 1, 2019 to March 31, 2021 and April 1, 2017 to March 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Anders Minkler Heber & Helms LLP

June 17, 2021

Lutheran Women's Missionary League
Statements of Financial Position
March 31, 2021 and 2019

Assets

	2021	2019
Current Assets		
Cash and cash equivalents	\$ 1,994,022	\$ 1,054,014
Investments, at fair value	7,725,420	6,962,851
Accounts receivable	28,125	37,130
Inventory, net	228,776	186,177
Prepaid expenses	151,597	173,138
Irrevocable deferred gifts	36,655	58,588
Total Current Assets	10,164,595	8,471,898
Property and Equipment, net	99,357	153,664
Irrevocable Deferred Gifts	993,102	685,906
Beneficial Interest in Assets Held by Others	4,443,772	3,488,541
Total Assets	\$ 15,700,826	\$ 12,800,009

Liabilities and Net Assets

Current Liabilities		
Current portion of long-term debt - related party	\$ 54,000	\$ 54,000
Accounts payable	67,272	21,996
Accrued expenses and other current liabilities	8,092	11,399
Deferred revenue	316,952	542,209
Total Current Liabilities	446,316	629,604
Long-term Debt - Related Party	22,500	69,750
Total Liabilities	468,816	699,354
Net Assets		
Without donor restrictions	5,310,139	3,708,891
With donor restrictions	9,921,871	8,391,764
Total Net Assets	15,232,010	12,100,655
Total Liabilities and Net Assets	\$ 15,700,826	\$ 12,800,009

Lutheran Women's Missionary League
Statement of Activities
For The Period April 1, 2019 to March 31, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Mite offerings	\$ 1,868,703	\$ 322,642	\$ 2,191,345
Contributions and bequests	570,616	881,678	1,452,294
Investment income	1,210,491	190,047	1,400,538
Merchandise and publication income	929,951	-	929,951
Convention income	915,560	-	915,560
Paycheck Protection Program Income	32,253	-	32,253
Change in beneficial interest	-	949,213	949,213
	<u>5,527,574</u>	<u>2,343,580</u>	<u>7,871,154</u>
Net assets released from restrictions			
Satisfaction of time and usage restrictions	<u>813,473</u>	<u>(813,473)</u>	<u>-</u>
Total Support and Revenue	<u>6,341,047</u>	<u>1,530,107</u>	<u>7,871,154</u>
Expenses			
Program Services			
Mission grants and related costs	2,070,984	-	2,070,984
Gifts of love	<u>497,752</u>	<u>-</u>	<u>497,752</u>
Total Program Services	<u>2,568,736</u>	<u>-</u>	<u>2,568,736</u>
Supporting Activities			
Administration	560,072	-	560,072
Convention	914,988	-	914,988
Store	385,498	-	385,498
Publication	<u>310,505</u>	<u>-</u>	<u>310,505</u>
Total Supporting Activities	<u>2,171,063</u>	<u>-</u>	<u>2,171,063</u>
Total Expenses	<u>4,739,799</u>	<u>-</u>	<u>4,739,799</u>
Change in Net Assets	1,601,248	1,530,107	3,131,355
Net Assets, Beginning of Period	<u>3,708,891</u>	<u>8,391,764</u>	<u>12,100,655</u>
Net Assets, End of Period	<u>\$ 5,310,139</u>	<u>\$ 9,921,871</u>	<u>\$15,232,010</u>

Lutheran Women's Missionary League
Statement of Activities
For The Period April 1, 2017 to March 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Mite offerings	\$ 1,963,801	\$ 208,573	\$ 2,172,374
Contributions and bequests	1,068,931	426,994	1,495,925
Investment income	573,150	64,836	637,986
Merchandise and publication income	1,072,203	-	1,072,203
Convention income	986,402	-	986,402
Miscellaneous revenue	1,008	-	1,008
Change in beneficial interest	-	(17,681)	(17,681)
	<u>5,665,495</u>	<u>682,722</u>	<u>6,348,217</u>
Net assets released from restrictions			
Satisfaction of time and usage restrictions	<u>396,764</u>	<u>(396,764)</u>	<u>-</u>
Total Support and Revenue	<u>6,062,259</u>	<u>285,958</u>	<u>6,348,217</u>
Expenses			
Program Services			
Mission grants and related costs	<u>1,690,726</u>	<u>-</u>	<u>1,690,726</u>
Total Program Services	<u>1,690,726</u>	<u>-</u>	<u>1,690,726</u>
Supporting Activities			
Management and general	1,238,265	-	1,238,265
Convention expenses and offerings	1,407,033	-	1,407,033
Product costs	699,679	-	699,679
Fundraising	317,657	-	317,657
Committees	<u>33,210</u>	<u>-</u>	<u>33,210</u>
Total Supporting Activities	<u>3,695,844</u>	<u>-</u>	<u>3,695,844</u>
Total Expenses	<u>5,386,570</u>	<u>-</u>	<u>5,386,570</u>
Change in Net Assets	675,689	285,958	961,647
Net Assets, Beginning of Period	<u>3,033,202</u>	<u>8,105,806</u>	<u>11,139,008</u>
Net Assets, End of Period	<u>\$ 3,708,891</u>	<u>\$ 8,391,764</u>	<u>\$12,100,655</u>

**Lutheran Women's Missionary League
Statement of Functional Expenses
For The Period April 1, 2019 to March 31, 2021**

	Program Services			Supporting Activities				Total	Total Expenses
	Mission Grants and Related Costs	Gifts of Love	Total	Administration	Convention	Store	Publication		
Salaries and benefits	\$ 239,774	\$ 58,897	\$ 298,671	\$ 96,352	\$ 34,286	\$ 83,966	\$ 48,719	\$ 263,323	\$ 561,994
Mission grants	1,628,573	-	1,628,573	-	97,490	-	-	97,490	1,726,063
Postage	9,816	6,377	16,193	1,868	3,526	19,355	35,306	60,055	76,248
Bank and Credit Card Fees	6,594	256	6,850	2,003	8,418	11,613	826	22,860	29,710
Printing	48,543	27,630	76,173	802	21,294	1,867	-	23,963	100,136
Contract services	-	305,930	305,930	65,139	52,887	32,853	68,525	219,404	525,334
Computer	17,256	15,719	32,975	12,953	1,711	11,833	3,451	29,948	62,923
Supplies	65,676	13,122	78,798	5,052	24,909	507	-	30,468	109,266
Furniture and equipment	-	129	129	7,135	3,629	-	-	10,764	10,893
Travel	-	38,934	38,934	1,376	221,429	-	-	222,805	261,739
Meals	-	11,150	11,150	708	161,819	-	-	162,527	173,677
Audio/Visual	-	136	136	-	230,169	-	-	230,169	230,305
Cost of products	-	-	-	-	-	164,896	-	164,896	164,896
Production costs	-	-	-	-	-	-	138,342	138,342	138,342
Website fees	-	-	-	37,758	-	225	-	37,983	37,983
Storage	-	-	-	-	-	13,641	-	13,641	13,641
Entertainment	-	-	-	-	15,394	-	-	15,394	15,394
Insurance	5,128	5,127	10,255	8,409	2,965	5,127	5,127	21,628	31,883
Rent	21,135	4,831	25,966	10,864	2,039	14,492	4,227	31,622	57,588
Meeting expense	-	-	-	162,238	-	-	-	162,238	162,238
Department expense	-	-	-	113,181	-	-	-	113,181	113,181
Miscellaneous	1,210	3,279	4,489	9,901	30,295	6,417	526	47,139	51,628
Total Expenses Before Depreciation	2,043,705	491,517	2,535,222	535,739	912,260	366,792	305,049	2,119,840	4,655,062
Depreciation and amortization	27,279	6,235	33,514	24,333	2,728	18,706	5,456	51,223	84,737
Total Expenses	\$ 2,070,984	\$ 497,752	\$ 2,568,736	\$ 560,072	\$ 914,988	\$ 385,498	\$ 310,505	\$ 2,171,063	\$ 4,739,799

Lutheran Women's Missionary League
Statements of Cash Flows
For The Periods April 1, 2019 to March 31, 2021
and April 1, 2017 to March 31, 2019

	<u>2021</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,131,355	\$ 961,647
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(1,468,955)	(183,987)
Reinvested dividends	(350,359)	(320,235)
Gains on investments	(124,993)	(66,483)
Depreciation and amortization	84,737	61,716
Loss on asset disposition	-	15,697
Change in value of beneficial interest in assets held by others	(949,213)	17,681
Contribution to beneficial interest in assets held by others	(6,018)	(3,117)
Gain on irrevocable deferred gifts	(285,263)	(33,993)
(Increase) decrease in assets		
Accounts receivable	9,005	28,988
Inventory, net	(42,599)	34,317
Prepaid expenses	21,541	4,496
Increase (decrease) in liabilities		
Accounts payable	45,276	1,523
Accrued expenses and other current liabilities	(3,307)	(3,541)
Deferred revenue	(225,257)	(172,782)
Net Cash Provided By (Used in) Operating Activities	<u>(164,050)</u>	<u>341,927</u>
 Cash Flows from Investing Activities		
Purchases of investments	(2,150,779)	(2,209,512)
Proceeds from investments	3,332,517	1,159,455
Purchases of property and equipment	(23,680)	(30,657)
Net Cash Provided by (Used in) Investing Activities	<u>1,158,058</u>	<u>(1,080,714)</u>
 Cash Flows from Financing Activities		
Payments of long-term debt - related party	(54,000)	(53,656)
Net Cash Used in Financing Activities	<u>(54,000)</u>	<u>(53,656)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	940,008	(792,443)
 Cash and Cash Equivalents, Beginning of Period	<u>1,054,014</u>	<u>1,846,457</u>
 Cash and Cash Equivalents, End of Period	<u>\$ 1,994,022</u>	<u>\$ 1,054,014</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid for		
Interest	\$ -	\$ 1,204

Noncash Investing and Financing Activities

During the periods ended March 31, 2021 and 2019, the Organization financed the acquisition of leasehold improvements with debt in the amount of \$6,750 and \$135,000, respectively.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

1. Nature of Operations and Basis of Presentation

Organization

Lutheran Women's Missionary League (the "Organization"), a not-for-profit organization, is the official women's organization of the The Lutheran Church - Missouri Synod. The Organization was established in 1942 and its membership is comprised of approximately 73,000 members across the United States. The Organization's purpose is to inform, encourage, and inspire women to be actively involved in supporting the Lutheran Church and the Organization's missions and grants.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent net assets without donor restrictions that have been set aside for various future activities.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be satisfied by specific activities or the passage of time, or are required to be maintained in perpetuity by the Organization. The income earned on any related investments may be subject to donor-imposed stipulations.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

Fair Value Measurements

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of one month or less at the time of purchase to be cash and cash equivalents.

Investments

The Organization carries investments at fair value with unrealized holding gains and losses included in earnings. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold. Dividend and interest income is recognized when earned.

Accounts Receivable

Accounts receivable for which the unconditional right to payment exists, are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable are due under normal trade terms generally requiring payment within 30 days of the invoice date. Changes in the estimate of uncollectible amounts are recorded as those circumstances become known and recognized as bad debt expense in the statements of activities.

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. Currently, the Organization considers accounts receivable to be fully collectible.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method and net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

Property and Equipment

Property and equipment acquisitions with a life of two years or greater and a cost in excess of \$1,000 are capitalized and recorded at cost, while maintenance and repairs are expensed as incurred. Donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or period of time. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the related asset or the term of the lease.

The estimated lives for computing depreciation and amortization on property and equipment are:

<u>Classification</u>	<u>Years</u>
Leasehold improvements	5
Office equipment	3-5

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Management does not believe any impairment exists as of March 31, 2021 or 2019.

Beneficial Interest in Assets Held by Others

The Organization is the beneficiary of perpetual and quasi endowments with the assets held and administered by the LCMS Foundation. The Organization carries their beneficial interest in assets held by others at the fair values of the underlying investments in the statements of financial position. The investments consist of equity securities with readily determinable fair values. Interest income, dividends, and net appreciation and depreciation in fair value of investments are included in the change in net assets in the statements of activities as an increase in net assets without donor restrictions.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

Endowment Fund

The State of Missouri enacted the State Prudent Management of Institutional Funds Act ("SPMIFA") effective August 28, 2009. The Organization follows FASB guidance on accounting for the net assets classification of restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the SPMIFA. The Organization has determined that the endowment's net assets meet the definition of endowment funds under SPMIFA.

The Organization has interpreted the SPMIFA as requiring the preservation of the original gift amount. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of funds are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA.

Deferred Revenue

Deferred revenue consists of payments received for the next biennium's convention. These payments will be recognized as convention income in the period in which they are earned.

Support and Revenue

Contributions are recorded as received, and unconditional promises to give are recorded as the promise is made. All contributions are available for general activities unless specifically restricted by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions with donor restrictions in which the restrictions are met within the same period as received are reported as contributions without donor restrictions in the accompanying financial statements.

Revenue Recognition

Revenue from merchandise sales and convention fees is recognized when control of these products is transferred to the customer or in the period the convention occurs, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products or services. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than one year.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

Donated Services (In Kind)

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided various services throughout the period that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donor Designations

Donors to the Organization can designate their contributions to benefit organizations other than the Organization. These restricted amounts are not considered to be part of the Organization's activities and are forwarded directly to the designated organizations, as the Organization has no variance power over these donations. There were no amounts designated by donors and distributed to the donor specified organizations by the Organization for the period ended March 31, 2021. Amounts designated by donors and distributed to the donor specified organizations by the Organization totaled \$66,150 for the period ended March 31, 2019. As of March 31, 2021 and 2019, no amounts remained due to the specified organizations.

Functional Expense Allocation

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs services and supporting activities benefited.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs totaled \$36,168 and \$40,118 for the periods ended March 31, 2021 and 2019, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions.

The Organization qualifies as a religious order in accordance with IRC Sections 501-514, 6033. This makes the Organization exempt from filing federal form 990, Return of Organization Exempt from Income Tax.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the current period presentation.

Subsequent Events

The Organization has evaluated subsequent events through June 17, 2021, the date the financial statements were available to be issued.

Recent Accounting Pronouncement

Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The guidance will be required for the first fiscal period beginning after December 15, 2021. Based on a preliminary analysis, the Organization does expect the new guidance will have a significant impact on its financial statements.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

3. Changes in Accounting Principles

On August 18, 2016 the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements. The ASU has been applied retrospectively to all periods presented, except for disclosures related to liquidity and availability of funds and the statement of functional expenses.

During the period ended March 31, 2021, the Organization changed its method of presentation and disclosure of revenue recognition in accordance with Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The major changes associated with ASU 2014-09 are to create a single framework for recognizing revenue from contracts with customers that fall within its scope. Adoption of ASU 2014-09 had no impact on the Organization's prior revenue recognition process.

4. Fair Value Measurements

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.
Level 2	Inputs to the valuation methodology to include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The instruments fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value:

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2021 and 2019

Level 3 Instruments consist of beneficial interest in perpetual and quasi endowments. These instruments are valued at an evaluated price provided by the endowment administrators based upon quoted market prices of the underlying assets on the last day of the period.

Investments also consist of pooled separate accounts which are directly invested in mutual funds, equity securities, or fixed maturity securities. These securities are valued at the net asset value ("NAV") based on the observable underlying investments. The NAV is used as a practical expedient to estimate fair value.

The following table presents the fair value measurements of instruments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at March 31, 2021 and 2019:

	2021		
	Total	Fair Value Measurements	
	Level 1	Level 2	Level 3
Beneficial Interest in			
Assets Held by Others	\$ 4,443,772	\$ -	\$ 4,443,772
Total assets in fair value hierarchy	4,443,772	\$ -	\$ 4,443,772
Investments measured at NAV	<u>7,725,420</u>		
	<u>\$ 12,169,192</u>		
	2019		
	Total	Fair Value Measurements	
	Level 1	Level 2	Level 3
Beneficial Interest in			
Assets Held by Others	\$ 3,488,541	\$ -	\$ 3,488,541
Total assets in fair value hierarchy	3,488,541	\$ -	\$ 3,488,541
Investments measured at NAV	<u>6,962,851</u>		
	<u>\$ 10,451,392</u>		

In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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Investments measured at fair value based on NAV per share practical expedient as of March 31, are as follows:

<u>March 31, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 7,725,420	N/A	Monthly	30 days

<u>March 31, 2019</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Unfunded Commitments</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 6,962,851	N/A	Monthly	30 days

Changes in fair value of the Organization's Level 3 instruments held are as follows:

	<u>Beneficial Interest in Assets Held by Others</u>
March 31, 2017	\$ 3,503,105
Contributions	3,117
Change in value	<u>(17,681)</u>
March 31, 2019	3,488,541
Contributions	6,018
Change in value	<u>949,213</u>
March 31, 2021	<u><u>\$ 4,443,772</u></u>

The following tables represent the Organization's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs measured on a nonrecurring basis at March 31, 2021 and 2019.

<u>Instrument</u>	<u>Fair Value at March 31, 2021</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Beneficial interest in assets held by others	\$4,443,772	Specified percentage of endowment's fair value	Undistributed income

<u>Instrument</u>	<u>Fair Value at March 31, 2019</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Beneficial interest in assets held by others	\$3,488,541	Specified percentage of endowment's fair value	Undistributed income

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5. Investments

A summary of the cost and fair value of the Organization's investments as of March 31, is as follows:

	2021			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
Investments measured at NAV	\$ 6,790,629	\$ 934,791	\$ -	\$ 7,725,420
	<u>\$ 6,790,629</u>	<u>\$ 934,791</u>	<u>\$ -</u>	<u>\$ 7,725,420</u>
	2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investments measured at NAV	\$ 6,720,163	\$ 254,384	\$ (11,696)	\$ 6,962,851
	<u>\$ 6,720,163</u>	<u>\$ 254,384</u>	<u>\$ (11,696)</u>	<u>\$ 6,962,851</u>

Investment income for the periods ended March 31, is summarized as follows:

	2021	2019
Interest and dividend income	\$ 350,359	\$ 388,504
Net realized and unrealized gains on investments reported at fair value	1,050,179	249,482
Total Investment Income	<u>\$ 1,400,538</u>	<u>\$ 637,986</u>

6. Contract Assets and Liabilities

Contract balances at March 31, are as follows:

	2021	2019	2017
Accounts receivable	\$ 28,125	\$ 37,130	\$ 66,118
Deferred revenue	316,952	542,209	714,991

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7. Property and Equipment

Property and equipment at March 31, is as follows:

	2021	2019
Leasehold improvements	\$ 164,358	\$ 157,608
Office equipment	100,980	76,928
	265,338	234,536
Less accumulated depreciation and amortization	165,981	80,872
	\$ 99,357	\$ 153,664

Depreciation and amortization expense for the periods ended March 31, 2021 and 2019 totaled \$84,737 and \$61,716, respectively.

8. Deferred Gifts

The Organization is the beneficiary of various irrevocable deferred gifts administered by the Lutheran Church - Missouri Synod Foundation and other organizations. The actuarial present value of these contracts amounted to \$1,029,757 and \$744,494 as of March 31, 2021 and 2019, respectively. The contracts have been reflected in the financial statements as net assets with donor restrictions due to time restrictions. When contracts mature, the current value will be reclassified as net assets without donor restrictions based on the donors' restrictions.

As of March 31, 2021 and 2019, the Organization is the beneficiary of \$946,873 and \$990,055 on which the beneficiary can be changed, respectively. Accordingly, these amounts have not been reflected in the financial statements.

9. Long-Term Debt - Related Party

Long-term debt - related party at March 31, is as follows:

	2021	2019
Note payable, uncollateralized, interest free, monthly principal payments of \$2,250, maturing in September 2023	\$ 76,500	\$ 123,750
	76,500	123,750
Less current maturities per biennium	54,000	54,000
	\$ 22,500	\$ 69,750

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Maturities of long-term debt per biennium as of March 31, 2021 is as follows:

Periods Ended March 31,

2023	\$ 54,000
2025	<u>22,500</u>
	<u>\$ 76,500</u>

There was no interest expense during the period ended March 31, 2021. Interest expense totaled \$1,204 for the period ended March 31, 2019.

10. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of March 31, 2021 reduced by amounts not available for general use within one period because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board approves that action.

Cash and cash equivalents	\$ 1,994,022
Accounts receivable	28,125
Operating investments	7,725,420
Distributions from beneficial interests in assets held by others	293,782
Endowment spending-rate distributions and appropriations	190,046
Contractual or donor-imposed restrictions:	
Endowment fund investments	(2,726,877)
Other donor restrictions	<u>(4,383,116)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Period	<u>\$ 3,121,402</u>

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds are not available for general expenditure.

The Organization's primary sources of support are MITE offerings, contributions and bequests, investment income, merchandise and publication income, convention fees, and changes in beneficial interests. Some support is required to be used in accordance with the purpose restrictions imposed by the donors. As part of a liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds.

11. Board Designated Funds

The Organization's Board of Directors has designated \$756,308 and \$1,570,886 of net assets without donor restrictions for long-term investment to be used for future operating needs.

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12. Net Assets With Donor Restrictions

Net assets with donor restrictions at March 31, are restricted for the following purposes or periods:

	<u>2021</u>	<u>2019</u>
Gifts of Love	\$ 978,320	\$ 987,832
Mite donations	541,217	208,573
Endowment earnings	190,046	277,282
Heart to Heart Sisters	11,882	14,742
Beneficial Interests in Assets Held by Others	60,656	47,656
Irrevocable deferred gifts 2019	-	58,588
Irrevocable deferred gifts 2021	36,655	36,655
Irrevocable deferred gifts 2023-2049	993,102	649,251
	<u>\$ 2,811,878</u>	<u>\$ 2,280,579</u>

Endowments and beneficial interest in assets held by others at March 31, are as follows:

	<u>2021</u>	<u>2019</u>
Investment in perpetuity, the income of which is expendable to support	\$ 2,726,877	\$ 2,670,300
Beneficial Interest in Assets Held by Others	4,383,116	3,440,885
	<u>\$ 7,109,993</u>	<u>\$ 6,111,185</u>

Assets released from restrictions for the period ended March 31, are as follows:

	<u>2021</u>	<u>2019</u>
Released from purpose restrictions	\$ 813,473	\$ 396,764
	<u>\$ 813,473</u>	<u>\$ 396,764</u>

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13. Endowment Funds

Endowment funds consists of funds established by donors to provide annual funding for specific activities and general operations. The Board of Directors has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At March 31, 2021 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment funds at March 31, are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
General Endowment	\$ 521,825	\$ 1,968,377	\$ 2,490,202
Schroeder Endowment	-	243,000	243,000
Seminary Endowment	-	300,500	300,500
Training Endowment	-	215,000	215,000
	<u>\$ 521,825</u>	<u>\$ 2,726,877</u>	<u>\$ 3,248,702</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
General Endowment	\$ -	\$ 2,136,009	\$ 2,136,009
Schroeder Endowment	-	271,424	271,424
Seminary Endowment	(14,971)	300,000	285,029
Training Endowment	-	240,149	240,149
	<u>\$ (14,971)</u>	<u>\$ 2,947,582</u>	<u>\$ 2,932,611</u>

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The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments.

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of period	\$ (14,971)	\$ 2,947,582	\$ 2,932,611
Contributions	536,796	56,577	593,373
Investment income	-	86,840	86,840
Net appreciation	-	103,206	103,206
Amounts appropriated for expenditure	-	(467,328)	(467,328)
Endowment net assets, end of period	\$ 521,825	\$ 2,726,877	\$ 3,248,702

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of period	\$ (24,307)	\$ 2,751,559	\$ 2,727,252
Contributions	-	131,187	131,187
Investment income	-	188,007	188,007
Net appreciation	9,336	85,531	94,867
Amounts appropriated for expenditure	-	(208,702)	(208,702)
Endowment net assets, end of period	\$ (14,971)	\$ 2,947,582	\$ 2,932,611

14. Retirement Plans

The Organization maintains a contributory retirement savings plan under Section 403(b) of the Code covering substantially all employees who meet certain eligibility requirements. Employer contributions to the plan totaled \$34,380 and \$34,270 for the periods ended March 31, 2021 and 2019, respectively.

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15. Risks and Uncertainties

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and investments. The Organization maintains its cash primarily with two financial institutions. Deposits at these institutions are insured by the National Credit Union Share Insurance Fund up to \$250,000. At March 31, 2021, there were cash balances of \$945,777 in excess of insured limits at these credit unions. Although the Organization is directly affected by the financial stability of the local districts, management does not believe significant credit risk exists at March 31, 2021. The Organization maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000.

Investments

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

16. Commitments and Contingencies

Leases

The Organization leases office space under noncancellable operating leases from a related party. Future minimum lease payments at March 31, 2021 are as follows:

Periods Ending March 31.

2023	\$ 64,500
2025	<u>23,438</u>
	<u>\$ 87,938</u>

Rent expense related to operating leases for the periods ended March 31, 2021 and 2019 totaled \$64,717 and \$45,987, respectively.