

LUTHERAN WOMEN'S MISSIONARY LEAGUE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE PERIODS APRIL 1, 2021 TO MARCH 31, 2023
AND APRIL 1, 2019 TO MARCH 31, 2021

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Independent Auditors' Report

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

Opinion

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, 2023 and 2021, and the related statements of activities, functional expenses, and cash flows for the period April 1, 2021 to March 31, 2023 and the period April 1, 2019 to March 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Women's Missionary League as of March 31, 2023 and 2021, and the changes in its net assets and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Women's Missionary League and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Women's Missionary League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



June 14, 2023

Lutheran Women's Missionary League
Statements of Financial Position
March 31, 2023 and 2021

Assets

	<u>2023</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 2,148,914	\$ 1,994,022
Investments, at fair value	7,491,774	7,725,420
Accounts receivable	126,400	28,125
Inventory, net	201,944	228,776
Prepaid expenses	169,391	151,597
Irrevocable deferred gifts	44,913	36,655
Total Current Assets	<u>10,183,336</u>	<u>10,164,595</u>
Property and Equipment, net	30,645	99,357
Irrevocable Deferred Gifts	907,280	993,102
Beneficial Interest in Assets Held by Others	<u>4,073,915</u>	<u>4,443,772</u>
Total Assets	<u>\$ 15,195,176</u>	<u>\$ 15,700,826</u>

Liabilities and Net Assets

Current Liabilities		
Current portion of long-term debt - related party	\$ 22,500	\$ 54,000
Accounts payable	114,516	67,272
Accrued expenses and other current liabilities	-	8,092
Deferred revenue	<u>627,147</u>	<u>316,952</u>
Total Current Liabilities	764,163	446,316
Long-term Debt - Related Party	<u>-</u>	<u>22,500</u>
Total Liabilities	<u>764,163</u>	<u>468,816</u>
Net Assets		
Without donor restrictions	5,520,372	5,310,139
With donor restrictions	<u>8,910,641</u>	<u>9,921,871</u>
Total Net Assets	<u>14,431,013</u>	<u>15,232,010</u>
Total Liabilities and Net Assets	<u>\$ 15,195,176</u>	<u>\$ 15,700,826</u>

Lutheran Women's Missionary League
Statement of Activities
For The Period April 1, 2021 to March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Mite offerings	\$ 2,106,806	\$ 316,871	\$ 2,423,677
Contributions and bequests	1,359,316	530,862	1,890,178
Investment loss	(396,842)	(38,253)	(435,095)
Merchandise and publication income	864,427	-	864,427
Convention income	635,523	-	635,523
Paycheck Protection Program Income	4,780	-	4,780
Change in beneficial interest	-	(396,051)	(396,051)
	<u>4,574,010</u>	<u>413,429</u>	<u>4,987,439</u>
Net assets released from restrictions			
Satisfaction of time and usage restrictions	<u>1,424,659</u>	<u>(1,424,659)</u>	<u>-</u>
Total Support and Revenue	<u>5,998,669</u>	<u>(1,011,230)</u>	<u>4,987,439</u>
Expenses			
Program Services			
Mission grants and related costs	2,481,668	-	2,481,668
Gifts of love	<u>472,649</u>	<u>-</u>	<u>472,649</u>
Total Program Services	<u>2,954,317</u>	<u>-</u>	<u>2,954,317</u>
Supporting Activities			
Administration	1,351,843	-	1,351,843
Convention	879,924	-	879,924
Store	333,455	-	333,455
Publication	<u>268,897</u>	<u>-</u>	<u>268,897</u>
Total Supporting Activities	<u>2,834,119</u>	<u>-</u>	<u>2,834,119</u>
Total Expenses	<u>5,788,436</u>	<u>-</u>	<u>5,788,436</u>
Change in Net Assets	210,233	(1,011,230)	(800,997)
Net Assets, Beginning of Period	<u>5,310,139</u>	<u>9,921,871</u>	<u>15,232,010</u>
Net Assets, End of Period	<u>\$ 5,520,372</u>	<u>\$ 8,910,641</u>	<u>\$14,431,013</u>

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	596,415	1,167,031
Investment income	1,210,491	475,310	1,685,801
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	<u>-</u>	<u>949,213</u>	<u>949,213</u>
	5,527,574	2,343,580	7,871,154
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 Functional Expenses
For The Period April 1, 2021 to March 31, 2023

	Program Services			Supporting Activities					
	Mission Grants and Related Costs	Gifts of Love	Total	Administration	Convention	Store	Publication	Total	Total Expenses
Salaries and benefits	\$ 96,456	\$ 11,256	\$ 107,712	\$ 521,688	\$ 80,586	\$ 25,241	\$ 19,194	\$ 646,709	\$ 754,421
Mission grants	2,261,976	-	2,261,976	-	-	-	-	-	2,261,976
Postage	16,740	6,400	23,140	1,597	2,014	5,695	45,693	54,999	78,139
Bank and credit card fees	4,619	149	4,768	330	12,386	11,013	2,428	26,157	30,925
Printing	48,968	14,382	63,350	7,564	28,897	1,004	-	37,465	100,815
Contract services	9,968	311,033	321,001	72,592	32,957	2,492	73,890	181,931	502,932
Computer	-	11,759	11,759	55,916	-	-	-	55,916	67,675
Supplies	-	17,429	17,429	4,414	62,490	610	212	67,726	85,155
Furniture and equipment	-	143	143	8,053	5,587	-	-	13,640	13,783
Travel	-	79,461	79,461	32,692	149,822	-	-	182,514	261,975
Meals	-	15,014	15,014	3,931	194,176	-	-	198,107	213,121
Audio/Visual	-	200	200	-	217,371	-	-	217,371	217,571
Cost of products	-	132	132	-	-	216,933	-	216,933	217,065
Production costs	-	-	-	-	-	4,638	122,230	126,868	126,868
Fulfillment service	-	-	-	-	-	30,463	-	30,463	30,463
Website fees	-	-	-	67,255	-	-	-	67,255	67,255
Storage	-	-	-	-	-	11,384	-	11,384	11,384
Entertainment	-	-	-	-	1,600	-	-	1,600	1,600
Insurance	6,063	606	6,669	21,260	3,300	1,516	909	26,985	33,654
Rent	13,991	1,277	15,268	48,300	9,887	7,212	1,915	67,314	82,582
Meeting expense	-	-	-	297,710	-	-	-	297,710	297,710
Department expense	-	-	-	42,657	-	-	-	42,657	42,657
Miscellaneous	9,089	2,028	11,117	107,408	71,818	11,804	357	191,387	202,504
Total Expenses Before Depreciation and Amortization	2,467,870	471,269	2,939,139	1,293,367	872,891	330,005	266,828	2,763,091	5,702,230
Depreciation and amortization	13,798	1,380	15,178	58,476	7,033	3,450	2,069	71,028	86,206
Total Expenses	<u>\$ 2,481,668</u>	<u>\$ 472,649</u>	<u>\$ 2,954,317</u>	<u>\$ 1,351,843</u>	<u>\$ 879,924</u>	<u>\$ 333,455</u>	<u>\$ 268,897</u>	<u>\$ 2,834,119</u>	<u>\$ 5,788,436</u>

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

	Program Services			Supporting Activities					
	Mission Grants and Related Costs	Gifts of Love	Total	Administration	Convention	Store	Publication	Total	Total Expenses
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 and Amortization	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	<u>\$ 2,070,984</u>	<u>\$ 497,752</u>	<u>\$ 2,568,736</u>	<u>\$ 560,072</u>	<u>\$ 914,988</u>	<u>\$ 385,498</u>	<u>\$ 310,505</u>	<u>\$ 2,171,063</u>	<u>\$ 4,739,799</u>

Lutheran Women's Missionary League
Statements of Cash Flows
For The Periods April 1, 2021 to March 31, 2023
and April 1, 2019 to March 31, 2021

	<u>2023</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (800,997)	\$ 3,131,355
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain (loss) on investments	1,722,206	(1,593,948)
Reinvested dividends	(1,405,876)	(350,359)
Depreciation and amortization	86,206	84,737
Change in value of beneficial interest in assets held by others	396,051	(949,213)
Contribution to beneficial interest in assets held by others	(26,194)	(6,018)
Increase (decrease) in inventory reserve	(6,524)	(10,045)
(Gain) loss on irrevocable deferred gifts	77,564	(285,263)
(Increase) decrease in assets		
Accounts receivable	(98,275)	9,005
Inventory	33,356	(32,554)
Prepaid expenses	(17,794)	21,541
Increase (decrease) in liabilities		
Accounts payable	47,244	45,276
Accrued expenses and other current liabilities	(8,092)	(3,307)
Deferred revenue	310,195	(225,257)
Net Cash Provided By (Used in) Operating Activities	<u>309,070</u>	<u>(164,050)</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,850,667)	(2,150,779)
Proceeds from investments	1,767,983	3,332,517
Purchases of property and equipment	(17,494)	(23,680)
Net Cash Provided by (Used in) Investing Activities	<u>(100,178)</u>	<u>1,158,058</u>
Cash Flows from Financing Activities		
Payments of long-term debt - related party	(54,000)	(54,000)
Net Cash Used in Financing Activities	<u>(54,000)</u>	<u>(54,000)</u>
Net Increase in Cash and Cash Equivalents	154,892	940,008
Cash and Cash Equivalents, Beginning of Period	<u>1,994,022</u>	<u>1,054,014</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 2,148,914</u></u>	<u><u>\$ 1,994,022</u></u>

Supplemental Disclosure of Cash Flow Information

Noncash Investing and Financing Activities

During the period ended March 31, 2021, the Organization financed the acquisition of leasehold improvements with debt in the amount of \$6,750.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2023 and 2021

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 57,800 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, 2023 and 2021

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, 2023 and 2021

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	2-5
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, 2023 or 2021.

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 with donor restrictions in the statements of activities as an increase or decrease in net assets without donor restrictions.

Lutheran Women's Missionary League
Notes to Financial Statements
March 31, 2023 and 2021

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 net assets with donor restrictions, the original value of gifts donated to the 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. Changes in the deferred revenue balances during the periods ended March 31, 2023 and 2021 were not materially impacted by any other factors.

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 statements 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 are 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, 2023 and 2021

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.

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 \$16,931 and \$36,168 for the periods ended March 31, 2023 and 2021, 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.

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 14, 2023, the date the financial statements were available to be issued.

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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.

Credit Losses on Financial Instruments

The FASB has issued new guidance on the presentation of financial assets measured at amortized cost. Such assets will be presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. The standard will also change the accounting for credit losses related to securities available for sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. The guidance will be required for the first fiscal year beginning after December 15, 2022. Based on a preliminary analysis, the Organization does not expect this new guidance to have a material impact on its financial statements.

3. 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:

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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:

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.
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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,:

	2023			
	Total	Fair Value Measurements Level 1	Level 2	Level 3
Beneficial Interest in				
Assets Held by Others	\$ 4,073,915	\$ -	\$ -	\$ 4,073,915
Total assets in fair	4,073,915	\$ -	\$ -	\$ 4,073,915
value hierarchy				
Investments measured at				
NAV	<u>7,491,774</u>			
	<u>\$ 11,565,689</u>			

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

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

<u>March 31, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 7,491,774	N/A	Monthly	30 days
<u>March 31, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Unfunded Commitments</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 7,725,420	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, 2019	\$ 3,488,541
Contributions	6,018
Change in value	<u>949,213</u>
March 31, 2021	4,443,772
Contributions	26,194
Change in value	<u>(396,051)</u>
March 31, 2023	<u>\$ 4,073,915</u>

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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, 2023 and 2021.

<u>Instrument</u>	<u>Fair Value at March 31, 2023</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Beneficial interest in assets held by others	\$4,073,915	Specified percentage of endowment's fair value	Undistributed income

<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

4. Investments

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

<u>2023</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
Investments measured at NAV	\$ 8,151,665	\$ -	\$ (659,891)
	<u>\$ 8,151,665</u>	<u>\$ -</u>	<u>\$ (659,891)</u>
			<u>\$ 7,491,774</u>
<u>2021</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
Investments measured at NAV	\$ 6,790,629	\$ 934,791	\$ -
	<u>\$ 6,790,629</u>	<u>\$ 934,791</u>	<u>\$ -</u>
			<u>\$ 7,725,420</u>

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

	<u>2023</u>	<u>2021</u>
Interest and dividend income	\$ 1,405,876	\$ 350,359
Net realized and unrealized gains (losses) on investments reported at fair value	<u>(1,840,971)</u>	<u>1,335,442</u>
Total Investment Income (Loss)	<u>\$ (435,095)</u>	<u>\$ 1,685,801</u>

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5. Contract Assets and Liabilities

Contract balances at March 31, are as follows:

	<u>2023</u>	<u>2021</u>	<u>2019</u>
Accounts receivable	\$ 126,400	\$ 28,125	\$ 37,130
Deferred revenue	627,147	316,952	542,209

6. Inventory

The components of inventory at March 31, are as follows:

	<u>2023</u>	<u>2021</u>
Finished goods	\$ 211,671	\$ 245,027
Reserve	(9,727)	(16,251)
	<u>\$ 201,944</u>	<u>\$ 228,776</u>

7. Property and Equipment

Property and equipment at March 31, is as follows:

	<u>2023</u>	<u>2021</u>
Leasehold improvements	\$ 167,521	\$ 164,358
Office equipment	<u>109,893</u>	<u>100,980</u>
	277,414	265,338
Less accumulated depreciation and amortization	<u>246,769</u>	<u>165,981</u>
	<u>\$ 30,645</u>	<u>\$ 99,357</u>

Depreciation and amortization expense for the periods ended March 31, 2023 and 2021 totaled \$86,206 and \$84,737, 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 \$952,193 and \$1,029,757 as of March 31, 2023 and 2021, 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, 2023 and 2021, the Organization is the beneficiary of \$570,783 and \$946,873 on which the beneficiary can be changed, respectively. Accordingly, these amounts have not been reflected in the financial statements.

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9. Long-Term Debt - Related Party

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

	<u>2023</u>	<u>2021</u>
Note payable, uncollateralized, interest free, monthly principal payments of \$2,250, maturing in December 2023.	\$ 22,500	\$ 76,500
	22,500	76,500
Less current maturities per biennium	22,500	54,000
	<u>\$ -</u>	<u>\$ 22,500</u>

Maturities of long-term debt per biennium as of March 31, 2023 is as follows:

<u>Period Ending March 31,</u>	
2025	\$ 22,500
	<u>\$ 22,500</u>

There was no interest expense during the periods ended March 31, 2023 and 2021.

10. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of March 31, 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.

	<u>2023</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,148,914	\$ 1,994,022
Accounts receivable	126,400	28,125
Operating investments	7,491,774	7,725,420
Distributions from beneficial interests in assets held by others	299,080	293,782
Endowment spending-rate distributions and appropriations	-	190,046
Contractual, donor-imposed restrictions, and internal designations:		
Board designated funds	(702,802)	(756,308)
Endowment fund investments	(2,972,424)	(2,726,877)
Other donor restrictions	<u>(5,938,217)</u>	<u>(4,383,116)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Period	<u>\$ 452,725</u>	<u>\$ 2,365,094</u>

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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 \$702,802 and \$756,308 of net assets without donor restrictions for long-term investment to be used for future operating needs.

12. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2021</u>
Gifts of Love	\$ 842,529	\$ 978,320
Mite donations	316,871	541,217
Endowment earnings	(256,257)	190,046
Heart to Heart Sisters	8,966	11,882
Beneficial interests in Assets Held by Others	80,719	60,656
Irrevocable deferred gifts 2021	-	36,655
Irrevocable deferred gifts 2023	44,913	44,913
Irrevocable deferred gifts 2024-2053	907,280	948,189
	<u>\$ 1,945,021</u>	<u>\$ 2,811,878</u>

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

	<u>2023</u>	<u>2021</u>
Investment in perpetuity, the income of which is expendable to support	\$ 2,972,424	\$ 2,726,877
Beneficial interest in assets held by others	3,993,196	4,383,116
	<u>\$ 6,965,620</u>	<u>\$ 7,109,993</u>

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

	<u>2023</u>	<u>2021</u>
Released from purpose restrictions	\$ 1,424,659	\$ 813,473
	<u>\$ 1,424,659</u>	<u>\$ 813,473</u>

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, 2023 and 2021, 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:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
General Endowment	\$ 3,498,728	\$ 2,066,139	\$ 5,564,867
Schroeder Endowment	-	256,352	256,352
Seminary Endowment	-	269,353	269,353
Training Endowment	-	380,580	380,580
	<u>\$ 3,498,728</u>	<u>\$ 2,972,424</u>	<u>\$ 6,471,152</u>

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	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>

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.

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of period	\$ 521,825	\$ 2,726,877	\$ 3,248,702
Contributions	772,822	333,760	1,106,582
Investment income	(174,294)	(38,253)	(212,547)
Net appreciation	3,380,535	21,257	3,401,792
Amounts appropriated for expenditure	<u>(1,002,161)</u>	<u>(71,217)</u>	<u>(1,073,378)</u>
Endowment net assets, end of period	<u>\$ 3,498,727</u>	<u>\$ 2,972,424</u>	<u>\$ 6,471,151</u>

	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	<u>-</u>	<u>(467,328)</u>	<u>(467,328)</u>
Endowment net assets, end of period	<u>\$ 521,825</u>	<u>\$ 2,726,877</u>	<u>\$ 3,248,702</u>

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At times the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Accordingly, the Organization recognizes deficiencies of this nature as a component of net assets with donor restrictions. During the period ended March 31, 2023, the Organization has an endowment with a corpus totaling \$301,498 and a fair market value totaling \$269,353, with a total loss of \$32,145, as a result of deficiencies that have resulted from cumulative unfavorable marketable fluctuations that occurred after the investment of these endowment contributions.

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 \$35,939 and \$34,380 for the periods ended March 31, 2023 and 2021, respectively.

15. Risks and Uncertainties

Concentrations

Contributions from one donor were approximately 11 percent of the Organization's contributions during the period ended March 31, 2023. There were no concentrations of donors for the period ended March 31, 2021.

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 three financial institutions. Deposits at these institutions are insured by the National Credit Union Share Insurance Fund or the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2023, there were cash balances of \$1,005,476 in excess of insured limits at these institutions. 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, 2023. 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.

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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, 2023 are as follows:

<u>Period Ending March 31,</u>	
2025	\$ <u>24,967</u>
	<u>\$ <u>24,967</u></u>

Rent expense related to operating leases for the periods ended March 31, 2023 and 2021 totaled \$70,488 and \$64,717, respectively.