Lutheran Foundation of Texas
(dba Legacy Deo)

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

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Independent Auditors' Report

To the Board of Directors of
Lutheran Foundation of Texas (dba Legacy Deo):

We have audited the accompanying financial statements of Lutheran Foundation of Texas (dba Legacy Deo) (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maxwell Locke & Ritter LLP

Austin, Texas
November 8, 2021

Lutheran Foundation of Texas (dba Legacy Deo)

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 416,715	$ 401,761
Investments	3,847,431	3,538,068
Prepaid insurance	29,501	28,016
Accounts receivable	63,933	64,238
Note receivable	311,145	338,268
Property and equipment, net	6,582	15,351
Investments restricted as to use	4,586,260	4,250,660
Investments held for others	47,962,492	42,703,129
Total	$ 57,224,059	$ 51,339,491

	2020	2019
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	$ 79,590	$ 81,452
Charitable gift annuities	24,406	24,862
Agency and trust accounts	13,609,688	14,516,125
Endowments benefiting others	34,328,398	28,162,142
Total liabilities	48,042,082	42,784,581
Net assets:		
Without donor restrictions (Note 10)	4,595,717	4,304,250
With donor restrictions	4,586,260	4,250,660
Total net assets	9,181,977	8,554,910
Total	$ 57,224,059	$ 51,339,491

See notes to financial statements.

Lutheran Foundation of Texas (dba Legacy Deo)

Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Management fees	$ 531,743	-	531,743
Contributions	74,520	374,496	449,016
Investment income	121,701	68,892	190,593
Rents and royalties	18,486	25	18,511
Other income	15,750	-	15,750
Actuarial and other losses	(840)	(21,434)	(22,274)
Net realized and unrealized gains on investments	160,807	341,550	502,357
External distributions required by donors	-	(291,942)	(291,942)
Distributions to support operations and Board-designated programs	98,276	(98,276)	-
Net assets released from restriction	37,711	(37,711)	-
Total revenues and net assets released from restrictions	1,058,154	335,600	1,393,754
Expenses:			
Program services	427,465	-	427,465
Support services	339,222	-	339,222
Total expenses	766,687	-	766,687
Change in net assets	291,467	335,600	627,067
Net assets, beginning of year	4,304,250	4,250,660	8,554,910
Net assets, end of year	$ 4,595,717	4,586,260	9,181,977

See notes to financial statements.

Lutheran Foundation of Texas (dba Legacy Deo)

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restrictions:			
Management fees	$ 537,303	-	537,303
Contributions	89,705	417,178	506,883
Investment income	139,609	106,183	245,792
Rents and royalties	25,931	256	26,187
Other income	7,629	-	7,629
Actuarial and other losses	(716)	(20,049)	(20,765)
Net realized and unrealized gains on investments	244,040	433,974	678,014
External distributions required by donors	-	(200,881)	(200,881)
Distributions to support operations and Board-designated programs	95,161	(95,161)	-
Net assets released from restriction	82,797	(82,797)	-
Total revenues and net assets released from restrictions	1,221,459	558,703	1,780,162
Expenses:			
Program services	472,781	-	472,781
Support services	317,527	-	317,527
Total expenses	790,308	-	790,308
Change in net assets	431,151	558,703	989,854
Net assets, beginning of year	3,873,099	3,691,957	7,565,056
Net assets, end of year	$ 4,304,250	4,250,660	8,554,910

See notes to financial statements.

Lutheran Foundation of Texas (dba Legacy Deo)

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services			Support Services	
	Gift Acquisition	Gift Administration	Total Program Services	Management and General	Total Expenses
Salaries, wages, benefits, and payroll taxes	$ 64,594	177,207	241,801	249,152	490,953
Professional fees, contract services, and insurance	39,326	38,152	77,478	58,811	136,289
Grants and awards	-	72,977	72,977	-	72,977
Occupancy, telephone, and supplies	6,403	17,566	23,969	24,698	48,667
Depreciation and amortization	6,582	1,273	7,855	1,789	9,644
Conferences, travel, staff development, and board meetings	1,626	1,759	3,385	4,772	8,157
	$ 118,531	308,934	427,465	339,222	766,687

See notes to financial statements.

Lutheran Foundation of Texas (dba Legacy Deo)

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services			Support Services	
	Gift Acquisition	Gift Administration	Total Program Services	Management and General	Total Expenses
Salaries, wages, benefits, and payroll taxes	$ 94,905	176,724	271,629	235,551	507,180
Professional fees, contract services, and insurance	48,580	37,628	86,208	48,548	134,756
Grants and awards	-	65,835	65,835	-	65,835
Occupancy, telephone, and supplies	9,836	18,316	28,152	24,548	52,700
Depreciation and amortization	7,537	1,609	9,146	2,144	11,290
Conferences, travel, staff development, and board meetings	5,159	6,652	11,811	6,736	18,547
	$ 166,017	306,764	472,781	317,527	790,308

See notes to financial statements.

Lutheran Foundation of Texas (dba Legacy Deo)

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

	2020	2019
Cash Flows from Operating Activities:		
Cash received for management services performed	$ 547,798	$ 539,748
Cash received for charitable contributions	150,326	197,645
Dividends and interest received	122,500	141,929
Cash received for royalties	20,139	28,194
Cash received from related parties	16,250	30,417
Cash payments to employees, grantees, and vendors	(724,084)	(726,837)
Net cash provided by operating activities	132,929	211,096
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,430)	(4,705)
Purchases of investments	(772,030)	(760,890)
Sales of investments	628,361	604,255
Net cash used in investing activities	(145,099)	(161,340)
Cash Flows from Financing Activities-		
Cash received for payments on note receivable	27,124	41,243
Net change in cash and cash equivalents	14,954	90,999
Cash and cash equivalents, beginning of year	401,761	310,762
Cash and cash equivalents, end of year	$ 416,715	$ 401,761

See notes to financial statements.

1. Organization

Lutheran Foundation of Texas (dba Legacy Deo) (the "Foundation") is a corporate nonprofit foundation dedicated to providing a needed financial ministry to the people and congregations of The Lutheran Church—Missouri Synod ("LCMS"), especially those in the Texas District, and to the Christian community at large. The Foundation's mission is to inspire giving that impacts life forever. Its mission is accomplished through accepting contributions and administering trusts and endowment funds. By educating people about estate plans, legacy gifts, and stewardship of financial resources, Christian ministries that otherwise would be unfunded or inadequately funded are sustained and able to flourish for the long-term.

2. Summary of Significant Accounting Policies

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

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

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

With Donor Restrictions **-** These assets are subject to donor-imposed stipulations, which limit their use by to a specific purpose and/or the passage of time, or which require them to be maintained permanently.

Net assets, which are required to be maintained permanently, are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation classifies as net assets with donor restrictions all trusts and endowment funds in which the donor has granted the Board authority regarding beneficiary selection. Split-interest agreements having any charitable component that must be maintained in perpetuity as designated by the donor are also classified as net assets with donor restrictions.

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

Cash and Cash Equivalents - The Foundation considers all unrestricted cash and short-term highly liquid investments with original maturities of three months or less to be cash equivalents.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level hierarchy as follows:

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

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

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

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

Investments - Investments are valued at their fair values in the statements of financial position. Investment transactions are recorded on the trade date, and investment income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Investments that correspond to net assets with donor restrictions, which therefore are not available for the Foundation's use, are shown as investments restricted as to use on the statements of financial position.

Property and Equipment - Purchases of property and equipment are capitalized at cost. The Foundation capitalizes all acquisitions of property and equipment in excess of $1,000 with a useful life of more than one year. Repairs and maintenance costs are charged to expense as incurred. The Foundation computes depreciation and amortization expense using the straight-line method over the estimated useful lives of the assets as follows:

Computer software	3-5 years
Furniture and fixtures	10 years
Automobiles	5 years

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment of the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Deferred Revenue - Deferred revenue may include amounts received as upfront bonuses related to leases on the Foundation's mineral interests. Revenue is recognized over the lease term, which is generally three to five years. Deferred revenue may also include amounts received, but not yet earned, on contracts with other organizations that promote the Foundation's services and benefit the client organizations' membership.

Charitable Gift Annuities - Donors contribute assets in exchange for the right to receive a fixed dollar annual return for their benefit or for the benefit of third parties. Upon receipt of each such gift, the Foundation calculates the present value of the periodic payments due to the beneficiaries and classifies this amount as annuities payable. The Foundation determines the present value of the future periodic payments on an actuarial basis based on the annuitants' life expectancies. The discount rates used in determining the fair value of the liabilities at December 31, 2020 and 2019 were 0.6% and 2.0%, respectively, and represent the Applicable Federal Rate ("AFR") issued monthly by the Internal Revenue Service ("IRS"). Significant increases or decreases in these inputs in isolation would result in a significantly lower or higher fair value measurement. Any income earned on charitable gift annuity investments is also credited to charitable gift annuities payable. The carrying value of the charitable gift annuities is determined annually based on actuarial estimates. Any changes in the present value of the charitable gift annuities payable are recorded as actuarial gain or loss on the statements of activities.

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

Agency and Trust Accounts - The Foundation accepts cash and other financial assets from organizations and individuals and agrees to return those assets and the earnings thereon, or both, or transfer them to specified beneficiaries. At the time the gift is received, the Foundation records the trust assets at their fair value as investments held for others and an offsetting liability for the same amount in the statements of financial position. Subsequent valuations of trust liabilities are determined annually based on the fair value of the trust assets.

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

Subsequent valuations of all charitable remainder trust liabilities are determined annually based on applicable discount rates and mortality tables. The discount rates used in determining fair value of the liabilities at December 31, 2020 and 2019 were 0.6% and 2.0%, respectively, and represent the AFR issued monthly by the IRS. The Foundation uses mortality index tables also issued by the IRS. Any changes in the present value of the liabilities are recorded as actuarial gains or losses on the statements of activities.

The Foundation is named as co-beneficiary of certain charitable remainder trusts under its management. At the time a gift of this nature is received, the Foundation records a donor-restricted contribution if the donor explicitly imposes a temporary or permanent restriction. The fair value of the Foundation's beneficiary interest is the excess of the gift amount over the estimated liability pertaining to the other beneficiaries.

For purposes of presentation, charitable remainder trusts representing the balance of the other beneficiary are included as a component of agency and trust accounts on the statements of financial position.

Endowments Benefiting Others - The Foundation accepts cash and other financial assets as trustee of life-income, student loan and scholarship, ministry and memorial, and other types of endowment agreements. At the time the gift is received, the Foundation records the endowment assets at their fair value as investments held for others and an offsetting liability for the same amount. Subsequent valuations of endowment liabilities are determined annually based on the fair value of the endowment assets. Endowments for which the Foundation has no authority to determine the charitable beneficiaries are included in this liability.

Management Fees Revenue - With the exception of its own accounts, the Foundation charges all asset funds an administrative fee. The fee is generally computed on a sliding scale basis as 0.5% to 1.5% per annum of the fair value of fund assets and is collected quarterly. Revenue is recognized when promised services are transferred to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue when or as the Foundation satisfies performance obligations.

Performance obligations are satisfied as the services are rendered, and revenue is recognized over time.

Costs to Obtain or Fulfill Contracts - As performance obligations in the Foundation's contracts with customers are typically satisfied over a period of one year or less, the Foundation applies the practical expedient to expense costs to obtain a contract as incurred. The Foundation recognizes an asset for the incremental costs to fulfill a contract, direct labor, if the costs relate directly to an existing or specific anticipated contract, generate or enhance resources that the Foundation will use to satisfy performance obligations in the future, and if the Foundation expects to recover those costs through the margin inherent in the contract. The Foundation does not incur fulfillment costs requiring capitalization.

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

Functional Allocation of Expenses - Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas have been allocated based on the proportion of full-time employee equivalents allocated to that program service. Costs that are not readily allocable to any program service are allocated entirely to management and general.

Federal Income Taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2020 and 2019. Due to the IRS designation as being affiliated with the LCMS, the Foundation is exempt from filing an annual Form 990 tax return in the U.S. federal jurisdiction.

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

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

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

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year for general expenditure were as follows, as of December 31:

	2020	2019
Cash and cash equivalents	$ 416,715	$ 401,761
Investments	56,396,183	50,491,857
Accounts receivable	63,933	64,238
Note receivable	311,145	338,268
Total financial assets	57,187,976	51,296,124
Less amounts unavailable for general expenditure within one year, due to:		
Investments in endowments and trusts held for others	(47,962,492)	(42,703,129)
Investments restricted by donors as to their use	(4,586,260)	(4,250,660)
Investments in non-liquid assets	(60,418)	(84,591)
Board-designated quasi-endowment	(1,034,441)	(882,486)
Ninety-day cash reserve required by Board policy	(177,375)	(180,380)
Charitable gift annuity reserve fund	(100,000)	(100,000)
	(53,920,986)	(48,201,246)
Less amounts unavailable to management without Board's approval-		
Board-designated for discretionary use	(614,202)	(597,934)
Total financial assets available to management for general expenditure within one year	$ 2,652,788	$ 2,496,944

The Foundation manages its liquidity following three guiding principles:

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

Three policies established by the Board are designed to ensure the Foundation's financial stability, as follows:

- The Foundation may not incur an operating deficit for more than three consecutive fiscal years,
- The Foundation may not incur cumulative operating results that cause its net assets without donor restrictions at the end of the current fiscal year to fall below 110% of its annual average for the rolling 10-year period ending at the previous fiscal year-end, and
- The Foundation must maintain a cash reserve of not less than ninety days' operating cash.

The Foundation does not have a committed line of credit upon which it could draw to manage unanticipated liquidity needs. However, it does have Board-designated net assets without restrictions that could be made available by the Board for current operations.

4. Concentration of Credit Risk

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

5. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2020	2019
Computer software	$ 54,160	$ 54,160
Furniture and fixtures	43,461	42,031
Automobiles	-	33,366
	97,621	129,557
Accumulated depreciation and amortization	(91,039)	(114,206)
Property and equipment, net	$ 6,582	$ 15,351

6. Investments

Investments measured at fair value at December 31, 2020 consisted of the following:

	Level 1	Level 2	Level 3	Fair Value
Exchange-traded funds	$ 13,018,488	-	-	$ 13,018,488
Mutual funds	12,206,429	-	-	12,206,429
Common stocks	10,824,574	-	-	10,824,574
U.S. government securities	3,350,639	-	-	3,350,639
Corporate bonds	-	2,983,443	-	2,983,443
Cash and cash equivalents	1,930,889	-	-	1,930,889
Municipal bonds	-	1,710,667	-	1,710,667
Mortgage-backed and asset-backed securities	-	887,200	-	887,200
Cash surrender value of life insurance policies	-	767,653	-	767,653
Term notes receivable	-	478,250	-	478,250
Annuities	-	341,634	-	341,634
Mineral interests	-	-	197,322	197,322
Real estate	-	-	172,250	172,250
Private company stock	-	-	297	297
	$ 41,331,019	7,168,847	369,869	48,869,735
Investments measured at net asset value				7,526,448
Total investments at fair value				$ 56,396,183

Investments measured at fair value at December 31, 2019 consisted of the following:

	Level 1	Level 2	Level 3	Fair Value
Exchange-traded funds	$ 12,195,904	-	-	$ 12,195,904
Mutual funds	12,989,292	-	-	12,989,292
Common stocks	8,735,193	-	-	8,735,193
U.S. government securities	2,310,936	-	-	2,310,936
Corporate bonds	-	2,717,693	-	2,717,693
Cash and cash equivalents	791,626	-	-	791,626
Municipal bonds	-	2,329,259	-	2,329,259
Mortgage-backed and asset-backed securities	-	1,604,216	-	1,604,216
Cash surrender value of life insurance policies	-	586,454	-	586,454
Term notes receivable	-	467,250	-	467,250
Annuities	-	353,165	-	353,165
Mineral interests	-	-	195,472	195,472
Real estate	-	-	172,250	172,250
Private company stock	-	-	297	297
	$ 32,968,829	8,390,659	478,567	45,449,007
Investments measured at net asset value				5,042,850
Total investments at fair value				$ 50,491,857

There were no transfers in or out of Level 3 investments during the years ended December 31, 2020 and 2019. There were no purchases of Level 3 investments during the years ended December 31, 2020 and 2019.

Level 1 and Level 2 investments have been valued using a market approach. Level 3 real estate investments and private company stock have been valued using a market approach while the Level 3 mineral interest investments have been valued using an income approach. There have been no changes in the valuation methodologies used at December 31, 2020 and 2019.

Cash and cash equivalents and marketable investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. Marketable investments includes publicly-traded investments such as stock, mutual funds, equity funds, exchange-traded funds, and U.S. governmental securities and agencies. Level 1 investments held by the Foundation are deemed to be actively traded.

Bonds, mortgage-backed and asset-backed securities ("MBSs" and "ABSs"), annuities, term notes receivable, and the cash value of life insurance policies are designated as Level 2 instruments since valuations are obtained from readily-available pricing sources for comparable instruments. Bonds, MBSs, and ABSs are valued based on recently executed prices. When position-specific external price data is not observable, the valuation is based on prices of comparable securities.

In the absence of market prices, bonds, MBSs, and ABSs are valued as a function of cash flow models using observable market-based inputs (e.g. yield curves, spreads, prepayments and volatilities). Annuities are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. At December 31, 2020 and 2019, contract value approximates fair value. Notes receivable are valued at the outstanding balance due from borrower. The cash value of life insurance policies was reflected in the financial statements at fair value based on the cash value reflected on the policy statement at December 31, 2020 and 2019.

Mineral interest, real estate, and private company stock are classified within Level 3 since observable inputs are minimal. Real estate and mineral interests carrying values are determined by taking into account appraised value, tax authorities' valuations, annual income, and the changes in these amounts over time. Real estate and mineral interests are not routinely re-appraised; thus, valuations are based upon the advice of real estate professionals and local conditions. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement.

Investments measured at fair value using the net asset value practical expedient have been excluded from the fair value hierarchy leveling table. These investments consisted of the following at December 31:

	Fair Value at December 31, 2020	Fair Value at December 31, 2019	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedged equity funds	$ 7,526,448	$ 5,042,850	not applicable	quarterly	20-90 days

The hedged equity funds invest primarily in equity securities of U.S. and foreign companies that the managers believe are well-positioned to generate benefit from their products and services, and utilize short sale and margin overlay strategies.

7. Charitable Gift Annuities

The following is a rollforward of the liabilities under charitable gift annuities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2020	2019
Balance, beginning of year	$ 24,862	$ 12,049
Net income	(2)	566
Beneficiary distributions	(6,789)	(6,789)
Fair market value adjustment	6,370	7,799
Actuarial gains (losses)	(35)	11,237
Balance, end of year	$ 24,406	$ 24,862

8. Agency and Trust Accounts

Agency and trust accounts were comprised of the following as of December 31:

	2020	2019
Irrevocable trusts due other remaindermen	$ 5,484,357	$ 7,047,094
Irrevocable trusts due life beneficiaries	3,857,806	3,611,688
Church fund management agreements	2,094,179	1,801,031
Agency fund management agreements	1,521,525	1,358,068
Irrevocable trusts - pass through gifts	410,588	346,799
Revocable trusts	241,233	351,445
Total agency and trust accounts	$ 13,609,688	$ 14,516,125

Irrevocable Trusts - Certain charitable remainder unitrusts and other miscellaneous trusts contain provisions to distribute assets to remaindermen other than the Foundation.

Church and Agency Fund Management Agreements - The Foundation offers services for the investment and management of funds belonging to LCMS congregations and agencies as well as other Christian organizations. The net interest earned from these invested funds is paid to the investors on a monthly, quarterly, semiannual, or annual basis.

Revocable Trusts - All trust income, deductions, and credits are reportable by the grantor for tax purposes.

As of December 31, 2020, the assets and liabilities of the split-interest charitable remainder unitrusts were $695,278 and $343,131, respectively. As of December 31, 2019, the assets and liabilities of the split-interest charitable remainder unitrusts were $659,964 and $314,524, respectively.

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

	2020	2019
Balance, beginning of year	$ 314,524	$ 278,633
Net income	3,496	9,737
Beneficiary distributions	(31,810)	(28,942)
Realized gains (losses)	(3,795)	7,209
Fair market value adjustment	78,240	72,751
Actuarial losses	(17,524)	(24,864)
Balance, end of year	$ 343,131	$ 314,524

9. Endowments

The Foundation had 302 and 299 separate endowments under its management as of December 31, 2020 and 2019, respectively. Distributions from all endowments are either paid to the designated beneficiaries or added to corpus in accordance with donors' restrictions. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

A subset of endowments grants the Board decision-making authority with regard to their charitable beneficiaries. As of December 31, 2020 and 2019, this subset numbered 38 and 33 endowments, respectively. One is a quasi-endowment established by the Board for the purpose of providing general operational support to the Foundation. The quasi-endowment is a component of the Foundation's net assets without donor restrictions. The remainder of the subset was established and restricted by donors; therefore, those endowments are a component of the Foundation's net assets with donor restrictions.

Interpretation of relevant law

The Board has determined that the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA"), enacted by the state of Texas in 2007, applies to the Foundation's donor-restricted endowment funds. TUPMIFA provides guidance and authority to charitable organizations concerning the management and investment of endowments held by those organizations. It also imposes additional duties on those who manage and invest charitable funds on behalf of the organizations. These duties provide protections for charities and also protect the interests of donors who want to see their contributions used wisely.

The Foundation classifies as net assets with donor restrictions the original value of gifts donated to donor-restricted endowments and all additional gifts received thereafter. Investment income from donor-restricted endowments is likewise classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the donors' stipulated purposes within the standard of prudence prescribed by TUPMIFA.

The Board's interpretation of TUPMIFA is that preservation of the original value of all gifts to a donor-restricted endowment is not required as a condition for spending from the endowment's assets. However, explicit donor restrictions to the contrary or any law that extends donor restrictions with regard to spending limitations will prevail.

Spending policy

In making expenditures from donor-restricted endowment funds, the Foundation complies first with any restrictions in the gift instrument as to purpose and amount. The Foundation reviews its spending rate at least annually and takes into consideration all relevant factors including, but not limited to, the short and long-term needs of each endowment fund, its stated purpose and objectives, the expected total return of its investments, price level trends, and general economic conditions. Spending rates are then adjusted accordingly within TUPMIFA's prudence standard. The Foundation's targeted annual spending rate is 4% of each endowment's market value, averaged over twenty (20) consecutive quarters preceding the distribution date.

Investment policy

Fundamental investment objectives for endowment investments are found in TUPMIFA and have been incorporated into the Foundation's investment policy statement. These include preservation of principal, ability to meet liquidity needs, adequate diversification, and appropriate levels of risk necessary to achieve the long-term distribution and growth needs of endowment funds. The asset pools in which the endowment funds are invested require a combination of current income for expense coverage and prudent liquidity, growth of income for planning and executing distributions, and expansion of capital for long-term sustainability. Investment allocations within these asset pools are periodically rebalanced back to their policy targets to ensure that long-term investment strategies are achieved.

Endowments with deficiencies

In accordance with U.S. GAAP, the Foundation considers an endowment to be deficient if its fair value is less than the sum of: (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor-imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation complies with TUPMIFA and has interpreted it to permit spending from deficient endowments in accordance with the prudent measures required under the law. As of December 31, 2020, endowments with original gift values of $2,263,043 were deficient by $135,646. As of December 31, 2019, endowments with original gift values of $2,641,293 were deficient by $270,912. Deficient amounts are reflected in net assets with donor restrictions.

The following represents the composition of the Foundation's endowment net assets by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment	$ 1,034,441	$ -	$ 1,034,441
Donor-restricted endowment funds	-	3,414,617	3,414,617
Total endowment funds	$ 1,034,441	$ 3,414,617	$ 4,449,058

The following represents the composition of the Foundation's endowment net assets by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment	$ 882,486	$ -	$ 882,486
Donor-restricted endowment funds	-	3,051,423	3,051,423
Total endowment funds	$ 882,486	$ 3,051,423	$ 3,933,909

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 882,486	$ 3,051,423	$ 3,933,909
Investment return, net	94,327	276,696	371,023
Contributions	88,506	184,774	273,280
Appropriations	(30,878)	(98,276)	(129,154)
Endowment net assets, end of year	$ 1,034,441	$ 3,414,617	$ 4,449,058

Changes in endowment net assets were as follows during the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 710,908	$ 2,630,242	$ 3,341,150
Investment return, net	117,860	354,504	472,364
Contributions	81,176	161,838	243,014
Appropriations	(27,458)	(95,161)	(122,619)
Endowment net assets, end of year	$ 882,486	$ 3,051,423	$ 3,933,909

10. Net Assets without Donor Restrictions

The following represents the composition of the Foundation's net assets without donor restrictions as of December 31:

	2020	2019
Undesignated	$ 2,947,074	$ 2,823,830
Board-designated for discretionary use	614,202	597,934
Board-designated for quasi-endowment	1,034,441	882,486
Total net assets without donor restrictions	$ 4,595,717	$ 4,304,250

Board-designated for discretionary use

Included in net assets without donor restrictions are three special-use funds set aside by the Board for its discretionary use, which were consolidated into one fund during 2020. The Board determines each year the purposes for which the Foundation is to use the income. The corpus of the consolidated fund is not available for expenditure by the Foundation unless released by the Board. The composition of the Board-designated funds was as follows as of December 31:

	2020	2019
Consolidated fund	$ 614,202	$ -
Fund 1	-	123,861
Fund 2	-	212,472
Fund 3	-	261,601
Total Board-designated for discretionary use	$ 614,202	$ 597,934

Board-designated for quasi-endowment

The Board has designated funds to be set aside to establish and maintain a quasi-endowment for purposes of securing the Foundation's long-term financial viability and meeting the Foundation's ongoing operational need for supplemental operating funds. The resolution creating the quasi-endowment states that it is permanent, its corpus is not available for expenditure, and any net income in excess of the Foundation's annual operating need is available for grants to qualified ministries of the Texas District LCMS. The quasi-endowment generated $28,166 and $30,974 of additional revenue during the years ended December 31, 2020 and 2019, respectively. This revenue is included in net assets without donor restrictions on the statements of activities.
The quasi-endowment revenue enabled the Foundation to make grants of $27,000 and $25,000 during the years ended December 31, 2020 and 2019, respectively.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are amounts that are not available for the Foundation's immediate use in its operations. Endowments are restricted in perpetuity, although the Board has been granted decision-making authority for determining their charitable beneficiaries. Trusts and other accounts are subject to lifetime beneficiary interests which have not yet expired. Certain charitable remainder trusts and irrevocable trusts will become endowments in perpetuity upon termination of the trust. Net assets with donor restrictions were restricted for the following as of December 31:

	2020	2019
Endowment funds	$ 3,414,617	$ 3,051,423
Charitable remainder trusts	507,913	577,615
Donor-advised funds	453,786	416,819
Other irrevocable trusts	182,131	177,550
Charitable gift annuities	27,813	27,253
Total net assets with donor restrictions	$ 4,586,260	$ 4,250,660

12. Commitments and Contingencies

During 2020, the Foundation entered into a non-cancelable lease agreement for a vehicle expiring on November 18, 2023. Lease expense during the year ended December 31, 2020 totaled $1,198. Future minimum lease payments under this lease as of December 31, 2020 were as follows:

2021	$ 7,193
2022	7,193
2023	5,996
Total	$ 20,382

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

13. Retirement Plan

Qualifying employees of the Foundation participate in a qualified defined-benefit retirement plan sponsored by LCMS. Employer contributions during the years ended December 31, 2020 and 2019 totaled $40,707 and $39,493, respectively.

14. Related Party Transactions

The Foundation serves as trustee for numerous endowments and trusts from which Texas District LCMS derives a beneficial interest. The market value of assets in these endowments and trusts comprising the beneficial interest was $8,575,393 and $7,598,834 as of December 31, 2020 and 2019, respectively.

The Foundation also holds term notes issued by the Church Extension Fund of Texas District LCMS. As of December 31, 2020 and 2019, the market value of these term notes was $478,250 and $467,250, respectively. These notes are classified as term notes receivable in the Foundation's investments.

The Foundation engaged in the following transactions with Texas District LCMS for the years ended December 31:

	2020	2019
Principal and income distributions to Texas District LCMS from beneficial interest in endowments and trusts held by the Foundation	$ 262,124	$ 186,561
Grants paid to qualified ministries of Texas District LCMS	33,026	25,640
Unrestricted cash contribution from Texas District LCMS to the Foundation	16,250	30,417
Estimated market value of the Foundation's office space, contributed by Texas District LCMS on an in-kind basis	39,600	39,600
Interest received on Church Extension Fund term notes and cash equivalents	12,899	11,783

The Foundation received $2,500 and $6,430 in contributions from Board members during the years ended December 31, 2020 and 2019, respectively.

15. Subsequent Events

The Foundation has evaluated subsequent events through November 8, 2021, (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.