



CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2025

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
 Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9
 Supplemental Information	
Consolidating Schedules of Financial Position.....	35
Consolidating Schedules of Activities	37



INDEPENDENT AUDITOR'S REPORT

Board of Directors
International Lutheran Laymen's League and Subsidiaries and the
Lutheran Hour Ministries Foundation

Opinion

We have audited the accompanying consolidated financial statements of International Lutheran Laymen's League and Subsidiaries and the Lutheran Hour Ministries Foundation (collectively, the "Organization"), which comprise the consolidated statements of financial position as of May 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2025 and 2024, and the changes in their net assets and their cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 35 - 39 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



St. Louis, Missouri

September 25, 2025

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statements of Financial Position

Years ended May 31, 2025 and 2024

	2025	2024
ASSETS		
Cash	\$ 493,051	\$ 794,195
Investments	29,347,135	29,585,660
Estate gifts and other receivables, net	4,760,056	3,766,646
Branch office cash advances	532,205	425,400
Prepaid expenses and other assets, net	665,820	715,071
Irrevocable deferred gifts	4,139,446	3,902,386
Beneficial interest in trusts	6,696,052	7,524,222
Right-of-use assets	61,150	89,427
Property and equipment, net	14,884,494	15,401,749
TOTAL ASSETS	\$ 61,579,409	\$ 62,204,756
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accruals	\$ 571,691	\$ 1,015,900
Line of credit	3,000,000	950,000
Operating lease liabilities	61,150	89,427
Custodial funds	162,583	158,173
Other liabilities	876,481	773,049
Gift annuity liabilities	2,275,075	2,446,023
Notes payable	7,252,891	7,365,516
Total Liabilities	14,199,871	12,798,088
Net Assets		
Without donor restrictions		
Undesignated	1,904,626	2,664,133
Board designated	13,901,272	15,439,192
Total without donor restrictions	15,805,898	18,103,325
With donor restrictions		
Temporary in nature	7,953,385	7,193,530
Perpetual in nature	23,620,255	24,109,813
Total with donor restrictions	31,573,640	31,303,343
Total Net Assets	47,379,538	49,406,668
TOTAL LIABILITIES AND NET ASSETS	\$ 61,579,409	\$ 62,204,756

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended May 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue, Gains, and Losses:			
Contributions	\$ 12,697,072	\$ 464,536	\$ 13,161,608
In-kind gifts	12,462,570	-	12,462,570
Bequests, annuities, and trusts	7,901,072	153,668	8,054,740
Change in value of deferred gifts	(58,533)	(591,110)	(649,643)
Charitable gift annuities	36,250	-	36,250
Investment return, net	824,513	1,668,427	2,492,940
Merchandise sales	152,629	-	152,629
Other income	70,155	-	70,155
Building tenant rent	1,261,576	-	1,261,576
Net assets released from restrictions	1,425,224	(1,425,224)	-
Total support, revenue, gains, and losses	36,772,528	270,297	37,042,825
Expenses:			
Program services - global ministries	28,261,085	-	28,261,085
Program services - building tenant services	1,336,419	-	1,336,419
Administration	3,092,622	-	3,092,622
Fundraising	6,379,829	-	6,379,829
Total expenses	39,069,955	-	39,069,955
CHANGE IN NET ASSETS	(2,297,427)	270,297	(2,027,130)
Net assets at beginning of year	18,103,325	31,303,343	49,406,668
Net assets at end of year	\$ 15,805,898	\$ 31,573,640	\$ 47,379,538

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue, and Losses:			
Contributions	\$ 11,792,142	\$ 662,870	\$ 12,455,012
In-kind gifts	12,084,002	-	12,084,002
Bequests, annuities, and trusts	8,787,201	438,115	9,225,316
Change in value of deferred gifts	(208,553)	(2,761,151)	(2,969,704)
Charitable gift annuities	65,332	-	65,332
Investment return, net	1,322,243	2,267,855	3,590,098
Merchandise sales	195,436	-	195,436
Other loss	(15,791)	-	(15,791)
Building tenant rent	1,044,378	-	1,044,378
Net assets released from restrictions	1,548,126	(1,548,126)	-
Total support, revenue, and losses	36,614,516	(940,437)	35,674,079
Expenses:			
Program services - global ministries	27,711,396	-	27,711,396
Program services - building tenant services	1,298,921	-	1,298,921
Administration	3,859,592	-	3,859,592
Fundraising	6,079,873	-	6,079,873
Total expenses	38,949,782	-	38,949,782
CHANGE IN NET ASSETS	(2,335,266)	(940,437)	(3,275,703)
Net assets at beginning of year	20,438,591	32,243,780	52,682,371
Net assets at end of year	\$ 18,103,325	\$ 31,303,343	\$ 49,406,668

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended May 31, 2025

	Global Ministries	Building Tenant Services	Administration	Fundraising	Total Expenses
Salaries	\$ 5,839,184	\$ -	\$ 1,385,187	\$ 2,796,365	\$ 10,020,736
Employee benefits	1,841,873	-	572,967	881,932	3,296,772
Postage & freight	40,831	-	80,366	368,226	489,423
Printing	97,557	-	127,202	465,821	690,580
Media production	66,928	-	1,270	11,244	79,442
Media distribution	1,540,366	-	-	-	1,540,366
Contributed station time	10,905,267	-	-	-	10,905,267
Travel	464,023	-	112,476	815,519	1,392,018
Professional & consulting	102,717	5,675	68,901	116,906	294,199
Insurance, utilities & maintenance	291,293	444,206	79,190	194,193	1,008,882
District funding	26,873	-	26,083	26,083	79,039
Interest	146,496	124,576	40,990	83,042	395,104
Depreciation and amortization	103,600	495,185	170,616	67,853	837,254
Information processing	240,899	-	88,526	248,999	578,424
International office	5,281,691	-	-	25,120	5,306,811
Other expenses	1,271,487	266,777	338,848	278,526	2,155,638
	<u>\$ 28,261,085</u>	<u>\$ 1,336,419</u>	<u>\$ 3,092,622</u>	<u>\$ 6,379,829</u>	<u>\$ 39,069,955</u>

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended May 31, 2024

	Global Ministries	Building Tenant Services	Administration	Fundraising	Total Expenses
Salaries	\$ 4,915,452	\$ -	\$ 1,676,780	\$ 2,737,141	\$ 9,329,373
Employee benefits	1,733,604	-	828,410	593,381	3,155,395
Postage & freight	35,490	-	83,948	391,449	510,887
Printing	116,914	-	125,029	511,665	753,608
Media production	79,152	-	2,173	25,491	106,816
Media distribution	1,948,127	-	-	-	1,948,127
Contributed station time	11,918,104	-	-	-	11,918,104
Travel	367,128	-	208,069	808,872	1,384,069
Professional & consulting	81,728	5,191	87,315	219,160	393,394
Insurance, utilities & maintenance	283,954	474,370	79,283	168,056	1,005,663
District funding	19,829	-	19,245	19,245	58,319
Interest	77,021	95,823	22,407	40,611	235,862
Depreciation and amortization	104,363	461,981	194,284	59,331	819,959
Information processing	206,106	-	92,599	181,829	480,534
International office	4,943,718	-	-	36,260	4,979,978
Other expenses	880,706	261,556	440,050	287,382	1,869,694
	<u>\$ 27,711,396</u>	<u>\$ 1,298,921</u>	<u>\$ 3,859,592</u>	<u>\$ 6,079,873</u>	<u>\$ 38,949,782</u>

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended May 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (2,027,130)	\$ (3,275,703)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Depreciation	784,435	746,366
Realized and unrealized losses (gains)	(1,819,689)	(2,952,620)
Contributions restricted for endowment	(343,128)	(624,304)
In-kind contribution of investments	(1,557,303)	(165,898)
Change in value of beneficial interests in trusts	828,170	2,883,596
Change in value of irrevocable deferred gifts	(237,060)	(122,446)
Change in deferred value of gift annuity liabilities	58,533	208,553
Loss on disposal of property and equipment	-	31,709
(Increase) decrease in assets -		
Estate gifts and other receivables, net	(993,410)	1,412,592
Branch office cash advances	(106,805)	64,026
Prepaid expenses and other assets, net	49,251	(60,121)
Increase (decrease) in liabilities -		
Accounts payable and accruals	(444,209)	20,720
Custodial funds	4,410	10,285
Gift annuity liabilities	(229,480)	(212,612)
Other liabilities	103,432	(11,166)
Net cash provided by (used in) operating activities	(5,929,983)	(2,047,023)
Cash flows from investing activities:		
Purchases of investments	(14,142,880)	(41,232,162)
Proceeds from sale of investments	17,758,395	43,129,552
Purchases of property and equipment	(267,179)	(825,069)
Net cash provided by (used in) investing activities	3,348,336	1,072,321
Cash flows from financing activities:		
Proceeds from line of credit	4,050,000	2,750,000
Payments on line of credit	(2,000,000)	(2,200,000)
Payments on notes payable	(112,625)	(187,732)
Proceeds from contributions restricted for endowment	343,128	624,304
Net cash provided by (used in) financing activities	2,280,503	986,572
NET INCREASE (DECREASE) IN CASH	(301,144)	11,870
Cash, beginning of year	794,195	782,325
Cash, end of year	\$ 493,051	\$ 794,195
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for -		
Interest	\$ 395,104	\$ 235,862
Unrelated business income taxes paid (refunds received)	\$ 400	\$ (2,550)

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

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

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

Consolidation Policy

The consolidated financial statements include the accounts of the International Lutheran Laymen's League (and its subsidiaries LHM Holdings, Inc. and BCTN Holdings, Inc.), and the Lutheran Hour Ministries Foundation (collectively the "Organization"). All significant intercompany transactions are eliminated in the consolidated financial statements. The Foundation, due to substantial organizational control and economic interest in the Organization, is consolidated in these financial statements.

Basis of Presentation

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

Net Assets Without Donor Restrictions

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

Basis of Presentation (Continued)

Net Assets Without Donor Restrictions (continued)

purposes. The Organization records donor-restricted revenues, whose restrictions are met in the period received, as changes in net assets without restrictions.

Net Assets With Donor Restrictions

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

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

Contributions and Other Revenues

Substantially all of the Organization's revenues result from contributions, in-kind revenue, bequests, special grants, and investment income, which are recognized as income when received or accrued and are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. In addition, unconditional promises to give are recorded in the year made, less an allowance for doubtful collections. Promises to give are considered conditional when a measurable barrier and right of return or release exists. The promises to give become unconditional and are recognized when the barriers upon which they depend are overcome. When a barrier associated with a conditional contribution is satisfied, fulfilled, or otherwise released within the same reporting period in which the contribution is received, conditional contributions are recorded as unconditional.

Exchange revenue consists of merchandise sales, royalty income, and fees charged to outside organizations for custodial services. Merchandise sales are point in time transactions, while royalty income and custodial fees are over-time transactions. The fees are assessed at up to 1% of the funds. Management has elected to apply a practical expedient to recognize service fee revenue on a portfolio basis when recognizing revenue from contracts whose terms and conditions are similar in nature. The Organization does not refund these fees and therefore, no liability for refunds is reported at May 31, 2025 and 2024.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

Building Tenant Rent

Rental income from operating leases is recognized on a straight-line basis over the term of the lease, regardless of the timing of actual cash receipts, in accordance with FASB ASC 842 *Leases*. This includes base rent as well as fixed lease escalations. If the lease provides for rent holidays, rent concessions, or scheduled rent increases, the total rental income is recognized evenly over the lease term unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived. Security deposits received from tenants are recorded as liabilities and are not recognized as revenue unless and until they are forfeited or applied in accordance with lease terms.

Cash

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

Investments

Investments are stated at fair value. Investment income is recognized when earned. The change in unrealized gains and losses are included in the changes in net assets in the accompanying consolidated statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Estate Gifts and Other Receivables

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

Branch Office Cash Advances

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

Leases

The Organization leases office equipment. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. For operating leases, the Organization recognizes a lease liability and a right-of-use ("ROU") asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. When the implicit lease rate is not provided, the Organization has elected to use a risk-free rate for a period comparable with that of the lease term in determining the present value of future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The ROU asset is

subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease expense is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have an expected lease term of 12 months or less at lease commencement. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term. The Organization has elected to combine lease and non-lease components into a single combined component.

Property and Equipment

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended May 31, 2025 and 2024, management determined that no impairment loss needs to be recognized.

Donated Property and Equipment

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

The Organization's policy is to sell donated property and equipment as soon as practically possible, after the gift is received and not to be a long-term owner or manager of donated property, real estate, and equipment.

Donated Other Assets

Donated marketable securities and other noncash donations are recorded as in-kind gifts at their estimated fair values at the date of donation. The fair value for donated marketable securities is determined based upon the quoted prices in active markets for identical available and liquid assets for the date of the gift. Life insurance policies donated to the Organization are valued at the cash surrender value, at the date of donation. These life insurance policies can be held to maturity, and the value is adjusted annually to represent the cash surrender value.

Donated Volunteer Services

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

Donated Air Time

The value of donated radio and television time has been reflected as in-kind gifts without donor restrictions and as global ministries expenses in the accompanying consolidated financial statements at fair value on the date of the contribution.

For valuing radio airtime, the Organization uses an estimate based on the large volume of stations that are paid for directly by the Organization. First, a list is compiled of all stations that have paid time, including the weekly rate for a 30-minute program and the station's market ranking from Nielsen. The Organization then takes the average weekly rate for each grouping of similar paid stations to determine a fair value to use when estimating free airtime broadcast in that size of a market.

To determine the fair value of donated television time, every three years, the Organization performs a survey of broadcast charges for airtime in various sized markets to determine an average rate. The airtime is broken down in two components – network/independent stations and large/mid/small markets. These rates and market breakdowns are used to calculate the estimated value for airings broadcast on television.

Advertising

Advertising expenses for ministry programs are included in Other Expenses within the consolidated statements of functional expenses. The Organization incurred advertising expenses of \$163,061 and \$186,575 for the years ended May 31, 2025 and 2024, respectively.

Expense Allocation

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

Use of Estimates in Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to the 2024 consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Management has evaluated all subsequent events and transactions through September 25, 2025, the date the consolidated financial statements were available to be issued. No subsequent events require recognition in the consolidated financial statements.

Note 2 - Income Tax Status

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

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

Note 3 - Concentration of Risk

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 4 - Fair Value Measurements and Investments

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

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

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

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

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

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

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

Mutual funds: Valued at the daily closing price as reported by the funds. Mutual funds held by the Organization are open end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 4 - Fair Value Measurements and Investments (Continued)

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

Private equities: Valued at the NAV of units for a private equity fund, using custodian-provided quotations from pricing services, with all significant inputs derived from or corroborated with observable data. The NAV, as provided by the custodian, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Transactions may be limited to certain periods during the year by the fund.

Fixed maturities: Valued using custodian-provided quotations from pricing services, with all significant inputs derived from or corroborated with observable data. These instruments are classified as Level 2 within the fair value hierarchy.

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

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

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended May 31, 2025 and 2024.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 4 - Fair Value Measurements and Investments (Continued)

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall at May 31, 2025 and 2024:

<u>2025</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities – stocks	\$ -	\$ -	\$ -	\$ -
Fixed maturities:				
Fixed-domestic bonds	5,286,574	-	5,286,574	-
Government securities	2,387,541	2,387,541	-	-
Investment funds:				
Mutual funds				
Equity funds	16,242,146	16,242,146	-	-
Fixed income funds	2,395,647	2,395,647	-	-
Total mutual funds	<u>18,637,793</u>	<u>18,637,793</u>	<u>-</u>	<u>-</u>
Total levelled investments	<u>26,311,908</u>	<u>21,025,334</u>	<u>5,286,574</u>	<u>-</u>
Collective trust funds:				
Equity funds	1,052,299			
Fixed income funds	<u>669,284</u>			
Total collective trust funds	<u>1,721,583</u>			
Private equity funds	185,567			
Cash equivalents	623,077			
Certificates of deposit	<u>505,000</u>			
Total investments	<u>\$ 29,347,135</u>			
Deferred gifts				
Irrevocable deferred gifts	\$ 4,139,446	\$ -	\$ -	\$ 4,139,446
Beneficial interest in trusts	<u>6,696,052</u>	<u>-</u>	<u>-</u>	<u>6,696,052</u>
	<u>\$ 10,835,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,835,498</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 4 - Fair Value Measurements and Investments (Continued)

2024	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities - stocks	\$ 36,085	\$ 36,085	\$ -	\$ -
Fixed maturities:				
Fixed-domestic bonds	5,279,588	-	5,279,588	-
Government securities	2,150,309	2,150,309	-	-
Investment funds:				
Mutual funds				
Equity funds	16,104,469	16,104,469	-	-
Fixed income funds	2,754,947	2,754,947	-	-
Total mutual funds	18,859,416	18,859,416	-	-
Total levelled investments	26,325,398	21,045,810	5,279,588	-
Collective trust funds:				
Equity funds	1,722,386			
Fixed income funds	634,019			
Total collective trust funds	2,356,405			
Cash equivalents	398,857			
Certificates of deposit	505,000			
Total investments	\$ 29,585,660			
Deferred gifts				
Irrevocable deferred gifts	\$ 3,902,386	\$ -	\$ -	\$ 3,902,386
Beneficial interest in trusts	7,524,222	-	-	7,524,222
	\$ 11,426,608	\$ -	\$ -	\$ 11,426,608

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 4 - Fair Value Measurements and Investments (Continued)

The following tables summarize investments measured at fair value based on NAV per share as of May 31, 2025 and 2024:

Investment Name	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trust funds	\$ 1,721,583	-	Daily	Daily
Private equities	\$ 185,567	-	Semi-annual	Semi-annual

Investment Name	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trust funds	\$ 2,356,405	-	Daily	Daily

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended May 31, 2025:

Level 3 inputs by category	Deferred Gifts	Total
May 31, 2024	\$ 11,426,608	\$ 11,426,608
Additions	78,376	78,376
Change in value	(558,522)	(558,522)
Sales or pay down of principal	(110,964)	(110,964)
May 31, 2025	\$ 10,835,498	\$ 10,835,498

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended May 31, 2024:

Level 3 inputs by category	Deferred Gifts	Total
May 31, 2023	\$ 14,187,758	\$ 14,187,758
Additions	118,838	118,838
Change in value	(2,426,614)	(2,426,614)
Sales or pay down of principal	(453,374)	(453,374)
May 31, 2024	\$ 11,426,608	\$ 11,426,608

Net investment return at May 31, 2025 consists of the following:

	Undesignated	Board Designated	Temporary In Nature	Total
Dividends and interest	\$ 11,568	\$ 227,230	\$ 546,404	\$ 785,202
Realized gain	20,491	747,143	1,065,502	1,833,136
Unrealized gain (loss)	-	(146,741)	133,294	(13,447)
Investment management fees	-	(35,178)	(76,773)	(111,951)
	\$ 32,059	\$ 792,454	\$ 1,668,427	\$ 2,492,940

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 4 - Fair Value Measurements and Investments (Continued)

Net investment return at May 31, 2024 consists of the following:

	<u>Undesignated</u>	<u>Board Designated</u>	<u>Temporary In Nature</u>	<u>Total</u>
Dividends and interest	\$ 12,178	\$ 226,314	\$ 506,234	\$ 744,726
Realized gain	343	232,399	126,497	359,239
Unrealized gain	-	890,231	1,703,150	2,593,381
Investment management fees	(75)	(39,147)	(68,026)	(107,248)
	<u>\$ 12,446</u>	<u>\$ 1,309,797</u>	<u>\$ 2,267,855</u>	<u>\$ 3,590,098</u>

The Foundation also manages custodial funds on behalf of certain of the League's districts and zones. Net investment income associated with custodial funds were \$13,164 and \$18,076 for the years ended May 31, 2025 and 2024, respectively.

Note 5 - Estate Gifts and Other Receivables

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Estate gifts	\$ 4,313,310	\$ 3,191,260
Allowance for change in valuation	<u>(201,944)</u>	<u>(146,796)</u>
	4,111,366	3,044,464
Other receivables	<u>648,690</u>	<u>722,182</u>
Total estate gifts and other receivables	<u>\$ 4,760,056</u>	<u>\$ 3,766,646</u>

Note 6 - Irrevocable Deferred Gifts

The Organization is beneficiary of various irrevocable deferred gifts administered by the Lutheran Church-Missouri Synod Foundation and other organizations. The actuarial present value of these contracts amounts to \$4,139,446 at May 31, 2025, and \$3,902,386 at May 31, 2024, and have been reflected in these consolidated financial statements as irrevocable deferred gifts and as net assets with donor restrictions that are temporary in nature due to time restrictions. When the contracts mature, the current value will be reclassified as without donor restrictions, temporary in nature, or perpetual in nature net assets based on the donor restrictions.

In addition, the Organization is currently the beneficiary of contracts at May 31, 2025 on which the beneficiary can be changed. The actuarial present value of these contracts amounted to \$1,217,485 and \$1,198,935 at May 31, 2025 and 2024, respectively. These amounts have not been reflected in these consolidated financial statements.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 7 - Beneficial Interest in Trusts

The Organization is the beneficiary of numerous annual trust and endowment distributions during the year from various third-party trustees. Based on the information available, which includes the applicable trust or other distribution documents and the latest available asset valuations, the present value of future distributions was determined and included in the consolidated financial statements in the amount of \$6,696,052 and \$7,524,222 at May 31, 2025 and 2024, respectively.

Note 8 - Prepaid Expenses and Other Assets

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Unamortized capital leasing costs	\$ 275,573	\$ 305,179
Insurance policies – cash surrender value	168,072	349,979
Other prepaid expenses	<u>222,175</u>	<u>59,913</u>
Total prepaid expenses and other assets	<u>\$ 665,820</u>	<u>\$ 715,071</u>

Note 9 – Leases

The Organization entered into three lease agreements for mailing equipment and office equipment that expire on different dates ranging from March 2026 to September 2028. The leases require fixed monthly payments ranging from of \$526 to \$1,395.

The following summarizes the line items in the consolidated statement of financial position which include amounts for operating lease as of May 31:

Operating Lease	<u>2025</u>	<u>2024</u>
Right-of-use assets	\$ 61,150	\$ 89,427
Operating lease liabilities	\$ 61,150	\$ 89,427

The following summarizes the weighted average remaining lease term and discount rate as of May 31:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term		
Operating leases	2.4 years	3.3 years
Weighted average discount rate		
Operating leases	4.46%	4.42%

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 9 – Lease (Continued)

The following summarizes the line items in the consolidated statement of activities which include the components of operating lease expense for the year ended May 31:

	<u>2025</u>	<u>2024</u>
Operating lease expenses included in total		
administrative expenses	\$ 28,277	\$ 26,663

The following summarizes cash flow information related to leases for the year ended May 31:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating lease	\$ 28,277	\$ 26,663
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$112,516

The maturities of the lease liabilities as of May 31, 2025 are as follows:

Year ended June 30:	Operating
2026	\$ 30,140
2027	23,051
2028	9,101
2029	<u>2,104</u>
Total lease payments	64,396
Less amounts representing interest	<u>(3,246)</u>
Present value of lease liabilities	<u>\$ 61,150</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 10 - Property and Equipment

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 20,701,879	\$ 20,471,819
Equipment and furniture	1,475,311	1,438,191
Software	<u>522,035</u>	<u>522,035</u>
	22,699,225	22,432,045
Less accumulated depreciation	<u>(11,289,731)</u>	<u>(10,505,296)</u>
	11,409,494	11,926,749
Land	<u>3,475,000</u>	<u>3,475,000</u>
	\$ <u>14,884,494</u>	\$ <u>15,401,749</u>
Depreciation expense	\$ <u>784,435</u>	\$ <u>746,366</u>

Note 11 - Gift Annuities and Other Liabilities

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

The Foundation established a gift annuity program in which donors make an irrevocable gift to the Foundation and receive an annuity payment for their lifetime and/or their survivor's lifetime. At their death, the Foundation will receive the balance of the annuity. The gift values are based on rates established by the Internal Revenue Service and the payments to the individuals are generally based on rates suggested by the American Council on Gift Annuities which ranged from 4.1% to 9.7% in the fiscal years ended May 31, 2025 and 2024. Under the counsel of State Street Global Advisors, the Foundation is in compliance with the reserve requirements and limitations on investments of the states in which the gift annuity contracts have been written.

Annuity reserves were determined by State Street Global Advisors using the mortality tables as recommended by the American Council on Gift Annuities at May 31, 2025 and 2024. However, for gift annuities issued in the State of California, the annuity reserves were determined by State Street Global Advisors using the mortality tables as required by the California Department of Insurance.

On April 18, 2025, the Foundation established a policy to release excess gift annuity reserve funds held in the gift annuity portfolios while maintaining sufficient funds to support the annuity liabilities. The policy states that when the reserve balance is 160% or greater of the FASB liability balance in a portfolio after the end of the 1st fiscal quarter (August) and/or the end of the 3rd fiscal quarter (February), the staff is authorized to release funds from reserves down to 150% of the liability balance.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 11 - Gift Annuities and Other Liabilities (Continued)

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

Change in Gift Annuity Liabilities:

May 31, 2025

	<u>League</u>	<u>Foundation</u>	<u>Total</u>
Beginning gift annuity liabilities	\$ 503,709	\$ 1,942,314	\$ 2,446,023
Liabilities from newly issued gift annuities	-	83,750	83,750
Payments to annuitants	(81,101)	(232,129)	(313,230)
Change in value of deferred gift annuities	<u>10,628</u>	<u>47,904</u>	<u>58,532</u>
Ending gift annuity liabilities	<u>\$ 433,236</u>	<u>\$ 1,841,839</u>	<u>\$ 2,275,075</u>

May 31, 2024

	<u>League</u>	<u>Foundation</u>	<u>Total</u>
Beginning gift annuity liabilities	\$ 428,842	\$ 2,021,240	\$ 2,450,082
Liabilities from newly issued gift annuities	108,664	16,004	124,668
Payments to annuitants	(74,838)	(262,442)	(337,280)
Change in value of deferred gift annuities	<u>41,041</u>	<u>167,512</u>	<u>208,553</u>
Ending gift annuity liabilities	<u>\$ 503,709</u>	<u>\$ 1,942,314</u>	<u>\$ 2,446,023</u>

Note 12 - Line of Credit

The Organization has a revolving line of credit balloon note with the Lutheran Church Extension Fund (LCEF) with interest charged at the prevailing rate when funds were loaned of \$3,500,000 on October 31, 2017, with a maturity date of November 16, 2023. A new \$3,500,000 note with LCEF signed on November 3, 2023, with a maturity date of November 16, 2026. The interest rate was 5.50% at May 31, 2025, and 4.75% at May 31, 2024. The Organization was obligated on these lines of credit for \$3,000,000 at May 31, 2025 and \$950,000 at May 31, 2024.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 13 - Notes Payable

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Note payable to the Lutheran Church Extension Fund with interest only due for 36 months, then amortizable for 20 years on a 30-year amortization schedule with a balloon payment at the end of that time. This promissory note is secured by office property at 660 Mason Ridge Center Drive, Town and Country, Missouri with a net book value of \$13,827,721. The interest rate was 3.125% until October 31, 2024, when it was adjusted to 4.5% through October 31, 2027, after which it is adjustable every five years.	<u>\$ 7,252,891</u>	<u>\$ 7,365,516</u>

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

2026	93,196
2027	90,164
2028	94,306
2029	98,638
2030	103,169
Thereafter	<u>6,773,418</u>
	<u>\$ 7,252,891</u>

The Organization is in compliance with all loan covenants of the LCEF mortgage loan agreement.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 14 - Employee Benefits

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

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

	<u>2025</u>	<u>2024</u>
CRP, CRSP, and CDSP plans	\$ 1,032,442	\$ 948,740
Health and welfare	\$ 1,559,342	\$1,547,997

There were no significant changes in the Organization's relationships to the Plans or changes that would affect the comparability to the Plans during the fiscal year ended May 31, 2025. There were no contingent liabilities associated with the Plans at May 31, 2025 and 2024. Currently, the Organization has no intention to withdraw from the Plans and the contributions and level of participation represent a small percentage of the Plans.

Note 15 - Net Assets Without Donor Restrictions - Board Designated

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Gift annuities reserve	\$ 1,562,256	\$ 2,251,467
Other retained annuity excess earnings	39,237	39,238
Board designated endowment funds	6,022	5,841
Net investment in property and equipment	7,631,603	8,036,233
Operating reserve	<u>4,662,154</u>	<u>5,106,413</u>
	<u>\$13,901,272</u>	<u>\$15,439,192</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

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

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Restricted by program		
Restricted contributions	\$ 322,064	\$ 429,007
Undistributed endowment earnings	741,862	603,859
Restricted by time		
Undistributed endowment earnings	2,697,899	2,210,680
Beneficial interest in trusts	52,114	47,598
Irrevocable deferred gifts	<u>4,139,446</u>	<u>3,902,386</u>
	<u>\$ 7,953,385</u>	<u>\$ 7,193,530</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets with donor restrictions released for program restrictions were \$382,019 and \$158,052 and for time restrictions were \$1,043,205 and \$1,390,074 for the years ended May 31, 2025 and 2024, respectively.

Note 17 - Net Assets With Donor Restrictions – Perpetual In Nature

<u>May 31</u>	<u>2025</u>	<u>2024</u>
Donor-restricted endowments	\$ 16,976,317	\$ 16,633,189
Beneficial interest in trusts	<u>6,643,938</u>	<u>7,476,624</u>
	<u>\$ 23,620,255</u>	<u>\$ 24,109,813</u>

Note 18 - Revenue

Disaggregation of Revenue

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

	Year Ended		
	May 31, 2025		
	<u>Point in Time</u>	<u>Over-Time</u>	<u>Total</u>
Merchandise sales			
Product sales	\$ 138,680	\$ -	\$ 138,680
Royalty income	-	13,949	13,949
Custodial account fees	-	755	755
Total	<u>\$ 138,680</u>	<u>\$ 14,704</u>	<u>\$ 153,384</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 18 - Revenue (Continued)

	Year Ended May 31, 2024		
	<u>Point in Time</u>	<u>Over-Time</u>	<u>Total</u>
Merchandise sales			
Product sales	\$ 180,823	\$ -	\$ 180,823
Royalty income	-	14,613	14,613
Custodial account fees	-	796	796
Total	<u>\$ 180,823</u>	<u>\$ 15,409</u>	<u>\$ 196,232</u>

Note 19 - Endowment Policies

The investment objectives of the Foundation endowment funds are designed to produce the desired long-term real growth over inflation and sufficient income for expenses and the desired annual spending from the Foundation funds. The assets are to be invested with the care, skill, prudence, and diligence that a prudent person acting at those times in a like capacity and familiar with such matters would use in the investment of a fund of like character, with like aims and consideration given to the tax-exempt status of the Foundation. Prior to November 2023 the targeted investment asset mix was 64.5% equities, 20.5% fixed income, 10% real assets, and 5% alternative investments. Effective November 2023 the targeted investment asset mix was updated to be 60% equities, 35% fixed income, 4% alternative investments, and 1% cash equivalents. The Foundation honors donors' specific, written restrictions or directives. The endowment distribution policy follows the requirements of the State of Missouri's Uniform Prudent Management of Institutional Funds Act. The distribution is a quarterly distribution of 1.25% of the average market value of endowment assets for the preceding twelve quarters. No distributions will be made from new named endowments during the first four quarters after initial receipt of funds.

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

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 19 - Endowment Policies (Continued)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the total amount of the gifts made to the endowment by the donors. Cumulative deficiencies of this nature that are reported with donor restrictions were \$(39) for one of eighty-six individually named endowments as of May 31, 2025, and \$(600) for two of seventy-nine individually named endowments as of May 31, 2024. These deficiencies resulted from timing and unfavorable market fluctuations.

The changes in and composition of endowment net assets for the year ended May 31, 2025 are as follows:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Endowment net assets – Beginning of year	\$ 5,841	\$ 2,814,539	\$ 16,633,189	\$ 19,453,569
Contributions	-	-	343,128	343,128
Net investment income:				
Dividends and interest	156	546,404	-	546,560
Net realized gains	318	1,065,502	-	1,065,820
Net change in unrealized gains	41	133,294	-	133,335
Investment management fees	(23)	(76,773)	-	(76,796)
Total net investment return	492	1,668,427	-	1,668,919
Release of endowment funds:				
Endowment distributions	(283)	(954,538)	-	(954,821)
Foundation expenses	(28)	(88,667)	-	(88,695)
Total endowment funds released	(311)	(1,043,205)	-	(1,043,516)
Endowment net assets – End of year	\$ 6,022	\$ 3,439,761	\$ 16,976,317	\$ 20,422,100

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 19 - Endowment Policies (Continued)

The changes in and composition of endowment net assets for the year ended May 31, 2024 are as follows:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Endowment net assets – Beginning of year	\$ 21,205	\$ 1,586,759	\$ 16,008,885	\$ 17,616,849
Contributions	-	-	624,304	624,304
Net investment income:				
Dividends and interest	414	506,234	-	506,648
Net realized gains	103	126,497	-	126,600
Net change in unrealized gains	520	1,703,150	-	1,703,670
Investment management fees	(64)	(68,026)	-	(68,090)
Total net investment return	973	2,267,855	-	2,268,828
Release of endowment funds:				
Endowment distributions	(220)	(934,300)	-	(934,520)
Foundation expenses	(16,117)	(105,775)	-	(121,892)
Total endowment funds released	(16,337)	(1,040,075)	-	(1,056,412)
Endowment net assets – End of year	\$ 5,841	\$ 2,814,539	\$ 16,633,189	\$ 19,453,569

Endowment net asset composition by type of funds as of May 31, 2025:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Donor-designated gifts	\$ -	\$ -	\$ 16,976,317	\$ 16,976,317
Accum. earnings on donor gifts	-	3,439,761	-	3,439,761
Board-designated	6,022	-	-	6,022
	\$ 6,022	\$ 3,439,761	\$ 16,976,317	\$ 20,422,100

Endowment net asset composition by type of funds as of May 31, 2024:

	Board Designated	With Donor Restrictions		Total
		Temporary In Nature	Perpetual In Nature	
Donor-designated gifts	\$ -	\$ -	\$ 16,633,189	\$ 16,633,189
Accum. earnings on donor gifts	-	2,814,539	-	2,814,539
Board-designated	5,841	-	-	5,841
	\$ 5,841	\$ 2,814,539	\$ 16,633,189	\$ 19,453,569

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 20 - In-kind Gifts

In-kind gifts consisted of the following as of May 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total	Utilization in Programs/Activities
Marketable securities	\$ 1,557,303	\$ -	\$ 1,557,303	Global ministries/supporting services
Donated air time	10,905,267	-	10,905,267	Global ministries
	<u>\$ 12,462,570</u>	<u>\$ -</u>	<u>\$ 12,462,570</u>	

In-kind gifts consisted of the following as of May 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total	Utilization in Programs/Activities
Marketable securities	\$ 165,898	\$ -	\$ 165,898	Global ministries/supporting services
Donated air time	11,918,104	-	11,918,104	Global ministries
	<u>\$ 12,084,002</u>	<u>\$ -</u>	<u>\$ 12,084,002</u>	

Note 21 - Commitments

The Organization has entered into numerous contracts with various hotels and convention center facilities for future planned conferences. Some of these contracts contain penalty clauses for cancellation which could be material depending upon the contract and the date of cancellation. The penalties are based upon rooms reserved, anticipated hotel, food and beverage revenues and other damages. The potential liability for such damages, if incurred, cannot presently be determined. At May 31, 2025, the Organization does not intend to cancel any of these commitments.

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 22 - Future Rental Income

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

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

2026	1,294,237
2027	1,239,487
2028	1,247,478
2029	1,230,190
2030	1,067,672
Thereafter	1,007,416

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

Note 23 - Liquidity and Availability of Resources

	<u>2025</u>	<u>2024</u>
Financial assets, at year end	\$ 35,132,447	\$ 34,571,901
Less those unavailable for general expenditures within one year, due to:		
Investments:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(20,416,078)	(19,447,728)
Board-designations:		
Board-designated quasi-endowments and funds	(6,022)	(5,841)
Set aside for gift annuity liability and reserves	(1,875,486)	(2,588,747)
LHM Operating Reserve Fund	(4,662,154)	(5,106,413)
Custodial funds:		
Funds held as custodian for other organizations	(162,583)	(158,173)
Contributions and pledges with donor restrictions	<u>(322,064)</u>	<u>(429,007)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,688,060</u>	<u>\$ 6,835,992</u>

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Continued

May 31, 2025 and 2024

Note 23 - Liquidity and Availability of Resources (Continued)

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

Gift annuity obligations to annuitants and beneficiaries are supported by reserve funds held in the gift annuity investment portfolios. The investment mix provides a strategy for long-term growth and short-term liquidity to meet the cash needs for annuity payments and distributions. The Foundation maintains these funds at a level that meets or exceeds state regulatory requirements to cover annuity liabilities and provides sufficient access to cash when needed. The Organization has approximately \$1,107,241 of reserves above state regulatory requirements available to cover other expenses as of May 31, 2025.

Board designated quasi-endowments are funds set aside by the board for long-term purposes. The Foundation invests these funds for long-term growth and makes quarterly distributions to the League. These funds, totaling \$6,022 on May 31, 2025, are available to be released from designation by the Board if necessary, to meet the needs of the Organization.

Quarterly distributions of 1.25% from the donor-restricted and board-designated endowments held in the Foundation are transferred to the League to meet its obligations. These distributions are expected to be approximately \$1,200,000 in fiscal year 2025-2026.

The Organization maintains a line of credit in the amount of \$3,500,000 to provide liquidity when necessary. At May 31, 2025 there was \$500,000 available on the line of credit to cover expenses.

The League has a board-designated operating reserve fund that is invested in the Foundation as a custodial fund. The fund distributes 1.25% of portfolio balance on a quarterly basis to the League. The balance of the fund on May 31, 2025 was \$4,662,154 and is available to the Board of Directors to be released as needed to cover expenses. There is a mortgage covenant requiring the Organization to maintain a minimum balance of \$3,000,000 in the operating reserve fund.

The Organization also owns donor-contributed life insurance policies with a goal of holding them until maturity. These policies had a cash surrender value of \$168,072 on May 31, 2025, which would be available to management if needed to cover expenses.

Supplemental Information

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidating Schedule of Financial Position

Year ended May 31, 2025

	League	Foundation	Total
ASSETS			
Cash	\$ 477,327	\$ 15,724	\$ 493,051
Investments	1,054,533	28,292,602	29,347,135
Estate gifts and other receivables, net	4,666,586	93,470	4,760,056
Branch office cash advances	532,205	-	532,205
Prepaid expenses and other assets, net	665,820	-	665,820
Irrevocable deferred gifts	4,139,446	-	4,139,446
Beneficial interest in trusts	6,696,052	-	6,696,052
Right-of-use assets	61,150	-	61,150
Property and equipment, net	14,884,494	-	14,884,494
TOTAL ASSETS	\$ 33,177,613	\$ 28,401,796	\$ 61,579,409
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accruals	\$ 571,691	\$ -	\$ 571,691
Line of credit	3,000,000	-	3,000,000
Operating lease liabilities	61,150	-	61,150
Custodial funds	-	162,583	162,583
Other liabilities	876,481	-	876,481
Intercompany (receivable) payable	(4,982,284)	4,982,284	-
Gift annuity liabilities	433,236	1,841,839	2,275,075
Notes payable	7,252,891	-	7,252,891
Total Liabilities	7,213,165	6,986,706	14,199,871
Net Assets			
Without donor restrictions			
Unrestricted	1,904,626	-	1,904,626
Board designated	12,902,260	999,012	13,901,272
Total without donor restrictions	14,806,886	999,012	15,805,898
With donor restrictions			
Temporary in nature	4,513,624	3,439,761	7,953,385
Perpetual in nature	6,643,938	16,976,317	23,620,255
Total with donor restrictions	11,157,562	20,416,078	31,573,640
Total Net Assets	25,964,448	21,415,090	47,379,538
TOTAL LIABILITIES AND NET ASSETS	\$ 33,177,613	\$ 28,401,796	\$ 61,579,409

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidating Schedule of Financial Position

Year ended May 31, 2024

	League	Foundation	Total
ASSETS			
Cash	\$ 756,611	\$ 37,584	\$ 794,195
Investments	1,083,746	28,501,914	29,585,660
Estate gifts and other receivables, net	3,696,681	69,965	3,766,646
Branch office cash advances	425,400	-	425,400
Prepaid expenses and other assets, net	710,383	4,688	715,071
Irrevocable deferred gifts	3,902,386	-	3,902,386
Beneficial interest in trusts	7,524,222	-	7,524,222
Right-of-use assets	89,427	-	89,427
Property and equipment, net	15,401,749	-	15,401,749
TOTAL ASSETS	\$ 33,590,605	\$ 28,614,151	\$ 62,204,756
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accruals	\$ 1,015,900	\$ -	\$ 1,015,900
Line of credit	950,000	-	950,000
Operating lease liabilities	89,427	-	89,427
Custodial funds	-	158,173	158,173
Other liabilities	773,049	-	773,049
Intercompany (receivable) payable	(5,517,895)	5,517,895	-
Gift annuity liabilities	503,709	1,942,314	2,446,023
Notes payable	7,365,516	-	7,365,516
Total Liabilities	5,179,706	7,618,382	12,798,088
Net Assets			
Without donor restrictions			
Unrestricted	2,664,133	-	2,664,133
Board designated	13,891,151	1,548,041	15,439,192
Total without donor restrictions	16,555,284	1,548,041	18,103,325
With donor restrictions			
Temporary in nature	4,378,991	2,814,539	7,193,530
Perpetual in nature	7,476,624	16,633,189	24,109,813
Total with donor restrictions	11,855,615	19,447,728	31,303,343
Total Net Assets	28,410,899	20,995,769	49,406,668
TOTAL LIABILITIES AND NET ASSETS	\$ 33,590,605	\$ 28,614,151	\$ 62,204,756

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidating Schedule of Activities

Year ended May 31, 2025

	League	Foundation	Total
Support, Revenue, and Losses:			
Contributions	\$ 12,972,148	\$ 189,460	\$ 13,161,608
In-kind gifts	12,462,570	-	12,462,570
Bequests, annuities, and trusts	7,901,072	153,668	8,054,740
Change in value of deferred gifts	(601,739)	(47,904)	(649,643)
Charitable gift annuities	-	36,250	36,250
Investment return, net	525,564	1,967,376	2,492,940
Merchandise income	152,629	-	152,629
Other income (loss)	47,940	22,215	70,155
Building tenant rent	1,261,576	-	1,261,576
Total support, revenue, and losses	34,721,760	2,321,065	37,042,825
Expenses:			
Operating expenses			
Program services - global ministries	28,261,085	-	28,261,085
Program services - building tenant services	1,336,419	-	1,336,419
Administration	3,092,622	-	3,092,622
Fundraising	6,242,113	137,716	6,379,829
Total expenses	38,932,239	137,716	39,069,955
Transfers from Foundation to the League			
Endowment and other fund distributions	1,764,028	(1,764,028)	-
CHANGE IN NET ASSETS	(2,446,451)	419,321	(2,027,130)
Net assets at beginning of year	28,410,899	20,995,769	49,406,668
Net assets at end of year	\$ 25,964,448	\$ 21,415,090	\$ 47,379,538

INTERNATIONAL LUTHERAN LAYMEN'S LEAGUE AND SUBSIDIARIES

Consolidating Schedule of Activities

Year ended May 31, 2024

	League	Foundation	Total
Support, Revenue, and Losses:			
Contributions	\$ 12,268,824	\$ 186,188	\$ 12,455,012
In-kind gifts	12,084,002	-	12,084,002
Bequests, annuities, and trusts	8,787,200	438,116	9,225,316
Change in value of deferred gifts	(2,802,192)	(167,512)	(2,969,704)
Charitable gift annuities	56,336	8,996	65,332
Investment return, net	838,527	2,751,571	3,590,098
Merchandise income	195,436	-	195,436
Other income (loss)	(47,795)	32,004	(15,791)
Building tenant rent	1,044,378	-	1,044,378
Total support, revenue, and losses	32,424,716	3,249,363	35,674,079
Expenses:			
Operating expenses			
Program services - global ministries	27,711,396	-	27,711,396
Program services - building tenant services	1,298,921	-	1,298,921
Administration	3,859,592	-	3,859,592
Fundraising	5,897,655	182,218	6,079,873
Total expenses	38,767,564	182,218	38,949,782
Transfers from Foundation to the League			
Endowment and other fund distributions	979,508	(979,508)	-
CHANGE IN NET ASSETS	(5,363,340)	2,087,637	(3,275,703)
Net assets at beginning of year	33,774,239	18,908,132	52,682,371
Net assets at end of year	\$ 28,410,899	\$ 20,995,769	\$ 49,406,668