



DISCLOSURE BY EXEMPT CHARITABLE ORGANIZATION

The obligation of the LCMS Foundation to pay the annuitants named in a Gift Annuity agreement is not limited by the value of the cash or other property contributed by you in exchange for your Gift Annuity, or by market conditions. No matter how long each income beneficiary lives, the LCMS Foundation is obligated to pay such person according to the terms of the Gift Annuity agreement.

A Gift Annuity is not a trust; it is a contractual obligation of the LCMS Foundation. However, the Foundation does maintain a Gift Annuity 'reserve' fund, ("the reserve fund"). The reserve fund is held by the LCMS Foundation as a reserve or set aside of LCMS Foundation assets to fund its contractual Gift Annuity obligations. The assets you contribute are added to the reserve fund. Income from the reserve fund is used to make payments to the income beneficiaries. If the income from the reserve fund is insufficient, the LCMS Foundation makes up the difference. The LCMS Foundation does not separately report the performance of the reserve fund.

The value of the reserve fund (for all states other than California and Washington) as of June 30, 2023 was approximately \$20.6 million. 76.7% of this fund (the market segment) was invested in the financial markets, while the remaining 23.3% of this fund (the cash value segment) represents the current cash value of life insurance policies owned and controlled by the LCMS Foundation. The LCMS Foundation has separate reserve funds for California Gift Annuities and Washington Gift Annuities. See the reserve fund information for these states below.

As of June 30, 2023, twelve mutual funds were utilized to provide exposure to the financial markets. 31.3% of the market segment was invested in four domestic equity index funds, with two funds tracking the S&P 500 Equity Index, one fund tracking the Dow Jones U.S. Total Stock Market Equity Index, and one fund tracking the Center for Research in Securities Prices (CRSP) U.S. Total Market Equity Index. 17.9% of the market segment was invested in two international equity index funds, with one fund tracking the Morgan Stanley Capital International (MSCI) Europe, Australasia, and Far East (EAFE) Equity Index, and one fund tracking the Financial Times Stock Exchange (FTSE) Global All Cap ex U.S. Equity Index. To complement the equity exposure, 44.8% of the market segment was invested in six domestic fixed Income index funds, with one fund tracking the Bloomberg Barclays U.S. Aggregate Bond Index, one fund tracking the Bloomberg Barclays U.S. Aggregate Float Adjusted Bond Index, one fund tracking the Bloomberg Barclays 5 - 10 Year U.S. Treasury Bond Index, one fund tracking the Bloomberg Barclays 3 - 10 Year U.S. Government Float Adjusted Bond Index, one fund tracking the Bloomberg Barclays 5 - 10 Year U.S. Government / Credit Float Adjusted Bond Index, and one fund tracking the Bloomberg Barclays 1 - 5 Year U.S. Government / Credit Float Adjusted Bond Index. The balance of the market segment of the reserve fund, 6.0% of its value, was invested in cash and cash equivalents (bank money market deposit account).

The LCMS Foundation Annual Report provides information about the funds it manages. You may request a copy of this report. It does not provide specific information about the performance of the assets in the reserve for Gift Annuities.

The 'Gift' amount is the amount distributed to the ministries named in the Gift Annuity agreement and is calculated according to LCMS Foundation policies. Under current policies 5% of each new gift annuity is credited to a gift annuity loss reserve account. The loss reserve account provides funds for annuity payments on accounts where there are no longer funds remaining in the annuitant's individual account because the annuitant(s) outlived their projected life expectancy and/or the reserve fund investment returns are less than the assumed earnings rate used by the American Council on Gift Annuities. The remaining 95% of each new gift annuity is credited to an individual account. The individual account is reduced by the annuitant's gift annuity payments and annually credited with that year's net total return for the Foundation's largest gift annuity reserve fund. The return credited to the account is reduced to zero when the annuitant(s) reach the projected life expectancy used to establish the gift annuity. Returns not credited to an individual account remain in the reserve fund. When the obligation to make annuity payments ends, the amount remaining in the individual account is distributed to the ministries named in the agreement. The formula for determining the gift amount may be adjusted without notice by the Foundation to ensure the reserve fund has sufficient assets to meet its obligation to make annuity payments.

The LCMS Foundation may charge a fee of up to 1% of the value of the reserve fund each year to cover its administrative expenses.

The reserve fund is exempt from registration requirements of Federal securities laws pursuant to an exemption for collective investment funds or similar funds maintained by charitable organizations as provided in the Philanthropy Protection Act of 1995 (P.L. 104-62, December 8, 1995).

If you have other questions after reviewing this disclosure, or the Gift Annuity brochure, please contact us at 1-800-325-7912. We will do our best to answer your questions.

California: California requires a segregated account for investments held by the reserve fund for Gift Annuities issued to California residents. California limits the types of investments that may be held by the reserve fund. The value of the reserve fund for California Gift Annuities as of June 30, 2023, was approximately \$2.9 million.

As of June 30, 2023, three mutual funds were utilized to provide market exposure. 44.8% of the reserve was invested in an index fund tracking the CRSP U.S. Total Market Equity Index, a broad domestic equity index. 33.6% of the reserve was invested in a fund focusing on intermediate term US Treasury securities (maturities of 5 to 10 years). 17.3% of the reserve was invested in a fund focusing on Government National Mortgage Association (GNMA) pass-through mortgage certificates based on pools of 15-year and 30-year fixed-rate home mortgages. The balance of the California reserve fund, 4.3% of its value, was invested in cash and cash equivalents (bank money market deposit account).

Washington: In September 2010, the Foundation established a segregated account for investments held by the reserve fund for Gift Annuities issued to Washington residents. The value of the reserve fund for Washington Gift Annuities as of June 30, 2023, was approximately \$110,000.

As of June 30, 2023, three mutual funds were utilized to provide market exposure. 32.3% of the reserve was invested in an index fund tracking the CRSP U.S. Total Stock Market Equity Index, a broad domestic equity index. 17.4% of the reserve was invested in an index fund tracking the FTSE Global All Cap ex U.S. Equity Index, a broad international equity index. To complement the equity exposure, 45.7% of the reserve was invested in an index fund tracking the Bloomberg Barclays U.S. Aggregate Float Adjusted Bond Index, a broad domestic investment grade fixed income index. The balance of the Washington reserve fund, 4.6% of its value, was invested in cash and cash equivalents (bank money market deposit account).