

LATTER-DAY SAINT CHARITIES



Annual Financial Statements Unaudited

**For the year ending
December 31, 2020**

LATTER-DAY SAINT CHARITIES

Latter-day Saint Charities

Annual Financial Statements - Unaudited

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LATTER-DAY SAINT CHARITIES

STATEMENT OF FINANCIAL POSITION - UNAUDITED as of December 31, 2020

(in thousands)

ASSETS

Cash	\$ 4,514
Investments, at fair value	29,645
Accounts receivable	
Interest in trusts held by others	1,068
Land, Buildings and Equipment	1,814
Other assets	
Total assets	<u>\$ 37,041</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$
Amounts due to related parties	26
Committed project expenses	11,061
Annuities payable	<u>54</u>
Total liabilities	<u>11,141</u>
Unrestricted net assets	15,198
Restricted net assets	<u>10,702</u>
Total net assets	<u>25,900</u>
Total liabilities and net assets	<u>\$ 37,041</u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINT CHARITIES

STATEMENT OF ACTIVITIES - UNAUDITED for the year ended December 31, 2020

(in thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Support and other revenue:			
Public support	225	\$	\$ 225
Appropriations from the Church:			
Cash support	14,809		\$ 14,809
Investment gain	2,562		\$ 2,562
Interest income	36		\$ 36
Net assets released from restrictions	1,361	(1,361)	-
	<u>18,993</u>	<u>(1,361)</u>	<u>17,632</u>
Total support and other revenue			
Expenses:			
Program services:			
Humanitarian assistance	2,297		\$ 2,297
Emergency response	5,418		\$ 5,418
Health	866		\$ 866
Wheelchair distribution	1,595		\$ 1,595
Clean water	540		\$ 540
Family food production	1,361		\$ 1,361
Refugees	1,160		\$ 1,160
Supporting services:			
Management and general	490		\$ 490
	<u>13,727</u>		<u>13,727</u>
Total expenses			
Change in net assets	5,266	(1,361)	3,905
Net assets at beginning of year	9,932	12,063	21,995
Net assets at end of year	<u>15,198</u>	<u>\$ 10,702</u>	<u>\$ 25,900</u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINT CHARITIES

STATEMENT OF FUNCTIONAL EXPENSES - UNAUDITED
for the year ended December 31, 2020

(in thousands)

	Program Services							Supporting Services	
	Humanitarian Assistance	Emergency Response	Health	Wheelchair Distribution	Clean Water	Family Food Production	Refugees	Management and General	Total
Emergency relief	\$ 1,122	\$ 4,561	\$ 217	\$	\$	\$	\$	\$	\$ 5,900
Scholarships	7	-		-	-	27	-	-	34
Medical supplies	8	1	207	1,437	-	-	-	-	1,653
Contract labor	504	-	93	36	327	241	-	-	1,201
Travel	7	109	38	37	5	2	-	-	198
Supplies	30	-	127	6	204	1,046	599	-	2,012
Equipment and vehicles	24	-	-	-		-	-	-	24
Physical facilities	-	-	-	-	-	-	116	-	116
Freight and customs	7	151	19	77	-	9	-	-	263
Local project initiatives	846	118	57	1	2	25	-	-	1,049
Goods-in-kind	1,012	-	-	-	-	-	-	-	1,012
Committed project expenses	(1,271)	-	-	-	-	11	-	-	(1,260)
Other	1	478	108	1	2		445	490	1,525
Totals	<u>\$ 2,297</u>	<u>\$ 5,418</u>	<u>\$ 866</u>	<u>\$ 1,595</u>	<u>\$ 540</u>	<u>\$ 1,361</u>	<u>\$ 1,160</u>	<u>\$ 490</u>	<u>\$ 13,727</u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINT CHARITIES

STATEMENT OF CASH FLOWS - UNAUDITED for the year ended December 31, 2020

(in thousands)

Cash flows from operating activities:	
Change in net assets	\$ 3,905
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation expense	167
Unrealized gain on investments	(1,404)
Unrealized gain on trusts held by others	(76)
Realized gains on investments	(265)
Decrease in amounts due from related parties	1
Decrease in other assets	18
Decrease in accounts payable	(2)
Decrease in accounts receivable	2,891
Decrease in amounts due to related parties	(44)
Decrease in committed project expenses	(1,260)
Decrease in annuities payable	(130)
Net cash provided (used) by operating activities	<u>3,800</u>
Cash flows from investing activities:	
Purchase of investments	(1,815)
Proceeds from sale of investments	<u>1,170</u>
Net cash used in investing activities	<u>(645)</u>
Increase in cash	3,155
Cash at beginning of year	<u>1,359</u>
Cash at end of year	<u><u>\$ 4,514</u></u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

1. ORGANIZATION:

Latter-day Saint Charities, ("LDSC") is a not-for-profit, non-governmental organization affiliated with The Church of Jesus Christ of Latter-day Saints (the "Church"), providing charitable, educational, humanitarian and welfare services and programs worldwide. The headquarters of LDSC is located in Salt Lake City, Utah, U.S.A. LDSC was organized and commenced operations effective January 1, 1996. The programs administered by LDSC include:

- Humanitarian assistance – local projects to meet chronic needs and provide assistance that strengthens self-reliance of individuals and families through organizations that serve others by providing goods, services, training and financial assistance.
- Emergency response – assistance to people temporarily deprived of the necessities to sustain life or who are in chronic conditions associated with poverty.
- Major initiatives – specific programs to meet widespread needs. The current major initiatives include health (maternal & newborn care, vision treatment training, and immunizations), wheelchair distribution, clean water, family food production and refugees.

LDSC does not receive funds or goods from any governmental agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of LDSC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities in accordance with accounting principles generally accepted in the United States of America.

LDSC's net assets are classified into two categories: Unrestricted and With Donnor Restrictions. These categories are determined based on the existence or absence of donor-imposed restrictions on resources provided to LDSC. Unrestricted net assets are available for a variety of purposes and have no donor-imposed restrictions or all restrictions have been met. With donnor restricted net assets include donations with stipulated time or purpose restrictions as well as permanently restricted assets that are required to be held in perpetuity. When temporary restrictions are satisfied, the related With Donnor Restrictions assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same period in which the contribution is received, LDSC would report the contribution as unrestricted. All the income from the investment of these assets is made available for expenditures.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Cash

LDSC places most of its cash with the Church which is located in Utah, with remaining cash held in several working funds around the world. LDSC is subject to concentration of credit risk as essentially all cash is not covered by depository insurance.

Investments

Investments for use are carried at fair value (Note 6 and 7). The unrestricted portion of these investments is available at LDSC's discretion.

Interest in Trusts Held by Others

LDSC is named as beneficiary of certain irrevocable trusts. Revenues and assets included in the financial statements are based on the fair value of assets and the net present value of expected proceeds from those trusts.

Fair Value Measurements

Certain financial instruments and trust assets are carried at fair value, as discussed in Note 6.

Fair value is defined 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. The fair value should be based on assumptions that market participants would use, including consideration of non-performance risk.

In determining fair value, LDSC uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the marketplace and may require management judgment.

LDSC assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Land, Buildings and Equipment

Land, buildings and equipment are stated at acquisition cost or at estimated fair value at time of donation. Depreciation is computed using the straight-line method and the following useful lives:

Buildings	20 years
Furniture, fixtures, equipment and vehicles	3 - 10 years
Improvements	10 years

Amounts due to/from related parties

For operational purposes, the Church pays some of LDSC's international project expenditures which are reimbursed by LDSC monthly. Occasionally LDSC may pay expenses for the Church which are reimbursed by the Church monthly. Any amounts unreimbursed at year-end are due to timing differences and are recorded as amounts due to/from related parties.

Committed Project Expenses

LDSC recognizes a liability and related expense for unconditional promises made to give assistance to others through one of LDSC's programs. Recognition occurs when LDSC approves a specific project creating an obligation to transfer the promised assets in the future. When LDSC commits to a project, the estimated cost is reflected in the Statement of Financial Position and the Statements of Activities and Functional Expenses as committed project expenses. These expenses are reclassified to the applicable functional expense accounts in the year expenditures are actually made. Any committed project expenses terminated prior to completion, or completed at a cost lower than originally committed, will be recorded as a reduction of expenses in the year of termination.

Annuities Payable

Annuities payable represent LDSC's estimated annuity obligation to certain donors and their designees under contractual gift agreements that are maintained by a Church affiliate. No significant financial benefit is being or can be realized by LDSC until the contractual obligations are released. LDSC uses the actuarial method of recording annuities when received. Under this method, when a gift is received, the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as a contribution on the Statement of Activities. Annually, LDSC makes an adjustment to record the actuarial gain or loss due to re-computation of the liability based upon the revised life expectancy.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Donated Services

When humanitarian projects require human resources, LDSC selects candidates from among thousands of retired individuals and couples who volunteer up to three years of service to the Church. When serving with LDSC, these volunteers are assigned to conduct projects that often relate to their professional or occupational specialty, or to manage country operations.

Approximately 415,780 hours were contributed to LDSC by volunteers during the year ended December 31, 2020. The value of such services is not included in the Statements of Activities and Functional Expenses.

Restricted and Unrestricted Revenue and Support

LDSC's primary source of support is unrestricted appropriations from the Church and its affiliates. Contributions are also received from the public. All contributions are available for unrestricted use unless specifically restricted by the grantor/donor(s). Restricted contributions received from grantor/donor(s) are reported as restricted support and increase net assets of with donor restrictions. Restrictions on contributions that are satisfied within the same accounting period as receipt of the contributions are considered unrestricted support.

Functional Expenses and Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to the natural expense classification within the respective functional expense category.

Income Tax Status

LDSC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported assets, liabilities, revenues, expenses, and related disclosures. Actual results could differ from those estimates.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

3. LAND, BUILDINGS AND EQUIPMENT:

As of December 31, 2020 land, buildings and equipment included (in thousands):

	<u>2020</u>
Land, buildings and improvements	\$ 2,460
Furniture, fixtures, and equipment	366
Vehicles	209
	<u>3,035</u>
Less accumulated depreciation	<u>(1,221)</u>
Total land, buildings and equipment, net	<u><u>\$ 1,814</u></u>

4. NET ASSETS:

The following table presents descriptions and amounts classified as unrestricted net assets and restricted net assets, (in thousands):

	<u>2020</u>
Unrestricted net assets	
The portion of funds that is available for any purposes of LDSC	\$ 15,198
Total classified as unrestricted net assets	<u>15,198</u>
Restricted net assets	
The portion of funds that is restricted to specific use by donors	
Food production	2,632
The portion of funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA General endowment - use earnings for food production projects	5,570
Scholarship endowments - use earnings for international students working in food production or related studies	<u>2,500</u>
Total classified as restricted net assets	<u><u>10,702</u></u>
Total net assets	<u><u>\$ 28,532</u></u>

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

5. ENDOWMENTS:

LDSC's endowment fund consists of individual donor-restricted endowments. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Management has interpreted the adopted Utah "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, LDSC classifies as restricted net assets, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds of a temporary nature are classified as Restricted until the stipulation is fulfilled. In accordance with UPMIFA, LDSC considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of LDSC and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of LDSC
- 7) The investment policies of LDSC

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

5. ENDOWMENTS: Continued

LDSC's endowment consists of donor restricted endowment funds. The following table presents LDSC's endowment composition, changes, and net asset classifications for the year ended December 31, 2020 (in thousands):

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 12,063	\$ 12,063
Investment losses	-	-	-
Contributions	-	-	-
Appropriations of endowment	-	(1,361)	(1,361)
Other changes	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 10,702</u>	<u>\$ 10,702</u>

Return Objectives and Risk Parameters

LDSC has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 3-4 percent annually, while assuming a conservative level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, LDSC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). LDSC targets a diversified asset allocation that places greater emphasis on fixed income based investments to achieve its long-term objectives within prudent risk constraints.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

5. ENDOWMENTS: Continued

Relationship of Spending Policy to Investment Objectives

The Welfare Executive Committee of the Church ("the Committee") determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount is determined as of the end of the previous year, taking into consideration income and donations from the prior year. In establishing this method, the Committee considered the expected long-term rate of return on the investment of LDSC's endowment funds. Accordingly, over the long-term, LDSC expects the current spending policy to allow its endowment to grow at an average of 3-4 percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of LDSC, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

6. FAIR VALUE MEASUREMENTS:

Certain financial instruments are reported at fair value and are categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique as discussed in Note 2. The following table summarizes these financial instruments as of December 31, 2020 (in thousands):

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets				
Interest in trusts held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,068</u>	<u>\$ 1,068</u>

The fair value of the beneficial interests in trusts is based upon an income approach. Significant inputs include the fair value of the trust assets, the discount rate, the annual amounts paid to the donor, and the estimated date of payout (Note 9).

At December 31, 2020, LDSC also had investments, at fair value totaling \$29,645 (Note 7) which consist of unitized interests in investment portfolios managed by a Church affiliate and are measured at net asset value per share as a practical expedient.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

7. INVESTMENTS:

Investments are invested with and managed by a Church affiliate. Investments as of December 31, 2020 are as follows (in thousands):

	<u>2020</u>
Investments carried at fair value:	
Equity portfolios	\$ 19,683
Fixed portfolios	9,962
Total investments	<u>\$ 29,645</u>

For the year ended December 31, 2020 net investment income included (in thousands):

	<u>2020</u>
Dividend income from investments	\$ 645
Realized gain on investments	265
Unrealized gain on trusts held by others	76
Unrealized gain on investments	1,576
	<u>\$ 2,562</u>

8. INTEREST IN TRUSTS HELD BY OTHERS:

LDSC is named as beneficiary or remainderman for a number of irrevocable charitable remainder trusts, which are administered by a Church affiliate (Note 6). LDSC estimates collection of its beneficial interests as follows (in thousands):

	<u>2020</u>
Less than one year	\$ -
One to five years	-
More than five years	1,068
	<u>\$ 1,068</u>

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

9. COMMITMENTS AND CONTINGENCIES:

Committed Project Expenses

Commitments for humanitarian projects, which extend beyond December 31, 2020 are payable as follows (in thousands):

2021	\$ 10,022
2022	884
2023	129
2024	26
Total	<u>\$ 11,061</u>

General

LDSC is involved in various legal matters arising in the normal course of business. The claims and lawsuits are currently being vigorously defended by LDSC's counsel. However, financial responsibility for liability losses is assumed by a Church affiliate.

10. LIQUIDITY AND AVAILABILITY:

As of December 31, 2020 LDSC has average days cash on hand of 120. Available assets are 1.7 times previous years expenditures.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

Cash	\$ 4,514
Investments	\$ 29,645
Restricted funds	<u>\$ (10,702)</u>
Available assets	<u>\$ 23,457</u>

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

11. RELATED PARTY TRANSACTIONS:

Management and general costs, including personnel and employee benefits, are funded by cash appropriations from the Church. The Church also provides donated goods-in-kind, administrative support, office facilities and equipment to LDSC, which are recorded at an estimated fair market value determined by the Church, as are appropriations from the Church on the Statement of Activities. All cash, investment, and trust balances are maintained with the Church or a Church affiliate.

12. SUBSEQUENT EVENTS:

LDSC has evaluated, for potential recognition and disclosure, events that occurred after the balance sheet date of December 31, 2020 through May 28, 2021, the date of the financial statements were available to be issued. No significant events were noted.

LATTER-DAY SAINT CHARITIES

SCHEDULE OF EXPENSES BY COUNTRY - UNAUDITED for the year ended December 31, 2020

(in thousands)

Brazil	\$	41
China		1,104
Dominica		17
Egypt		236
Haiti		1,104
Hong Kong		61
Iraq		1,587
Israel		140
Italy		13
Japan		10
Jordan		1,312
Kenya		1,532
Kosovo		10
Lebanon		88
Morocco		102
Myanmar		202
Nepal		766
North Korea		12
Paraguay		10
Philippines		2,315
South Africa		11
South Sudan		44
Sudan		11
Thailand		16
Timor-leste		17
Uganda		14
United States		584
Vietnam		741
Zimbabwe		2,364
Other - less than 10k		33
Total aid by country		<u>14,497</u>
Committed project expenses		(1,260)
Total project expenses		<u>13,237</u>
Supporting services		490
Total expenses	\$	<u><u>13,727</u></u>