

WELS INVESTMENT FUNDS, INC.

Waukesha, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the years ended June 30, 2020 and 2019

WELS INVESTMENT FUNDS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
WELS Investment Funds, Inc.
Waukesha, WI

We have audited the accompanying statements of assets and liabilities of WELS Investment Funds, Inc., comprising the WELS Endowment Fund, WELS Balanced Fund, WELS Equity Fund, WELS Income Fund, and Charitable Gift Annuity (CGA) Fund (collectively, the "Funds"), including the schedules of investments, as of June 30, 2020 and 2019, and the related statements of operations, changes in net assets, and financial highlights for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements and Financial Highlights

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of WELS Investment Funds, Inc. as of June 30, 2020 and 2019, and the results of its operations, its changes in net assets, and its financial highlights for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Milwaukee, Wisconsin
August 10, 2020

WELS INVESTMENT FUNDS, INC.
WELS ENDOWMENT FUND
SCHEDULES OF INVESTMENTS
As of June 30, 2020 and 2019

	2020		2019	
	Shares	Fair Value	Shares	Fair Value
Vanguard Mutual Funds				
Intermediate-Term Investment-Grade Fund Admiral Shares	718,952	\$ 7,563,374	629,187	\$ 6,260,414
International Growth Fund Admiral Shares	97,694	11,284,637	99,735	9,373,093
International Value Fund	305,581	9,726,647	253,104	9,106,694
Mid-Cap Growth Fund	176,075	4,863,188	155,445	4,439,495
Short-Term Investment-Grade Fund Institutional Shares	455,388	4,981,942	861,857	9,230,487
Strategic Equity Fund	157,820	4,491,570	129,198	4,134,345
Total International Bond Index Fund Institutional Shares	104,840	3,624,313	90,867	3,119,477
Total International Stock Index Fund Institutional Shares	187,552	19,876,790	161,507	18,292,315
Total Bond Market Index Fund Institutional Shares	1,284,986	14,918,693	1,142,778	12,490,568
Total Stock Market Index Fund Institutional Shares	399,114	30,444,392	387,778	28,327,183
U.S. Growth Fund Admiral Shares	89,359	11,892,774	95,075	10,150,232
Windsor II Fund Admiral Shares	178,770	<u>10,320,365</u>	153,661	<u>9,754,413</u>
2020 Total Mutual Funds (Cost of \$117,854,189) 99.92%		133,988,685		
2019 Total Mutual Funds (Cost of \$111,979,236) 99.82%				124,678,716
2020 Other assets, less liabilities 0.08%		<u>102,674</u>		
2019 Other assets, less liabilities 0.18%				<u>229,890</u>
Total Net Assets 100.00%		<u>\$ 134,091,359</u>		<u>\$ 124,908,606</u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
WELS BALANCED FUND
SCHEDULES OF INVESTMENTS
As of June 30, 2020 and 2019

	2020		2019	
	Shares	Fair Value	Shares	Fair Value
Vanguard Mutual Funds				
Intermediate-Term Investment-Grade Fund Admiral Shares	928,080	\$ 9,763,405	731,904	\$ 7,282,443
International Growth Fund Admiral Shares	51,784	5,981,634	58,597	5,506,938
International Value Fund	175,913	5,599,324	151,288	5,443,331
Mid-Cap Growth Fund	94,625	2,613,551	88,373	2,523,926
Short-Term Investment-Grade Fund Institutional Shares	534,547	5,847,948	1,014,692	10,867,350
Strategic Equity Fund	87,577	2,492,432	76,586	2,450,740
Total International Bond Index Fund Institutional Shares	112,885	3,902,428	105,239	3,612,863
Total International Stock Index Fund Institutional Shares	107,519	11,394,855	96,437	10,922,404
Total Bond Market Index Fund Institutional Shares	1,680,628	19,512,089	1,329,795	14,534,664
Total Stock Market Index Fund Institutional Shares	223,181	17,024,239	228,054	16,659,310
U.S. Growth Fund Admiral Shares	46,951	6,248,651	54,883	5,859,292
Windsor II Fund Admiral Shares	101,571	<u>5,863,690</u>	90,959	<u>5,774,080</u>
2020 Total Mutual Funds (Cost of \$85,150,322) 100.01%		96,244,246		
2019 Total Mutual Funds (Cost of \$81,969,146) 99.53%				91,437,341
2020 Other assets, less liabilities -0.01%		<u>(8,987)</u>		
2019 Other assets, less liabilities 0.47%				<u>431,278</u>
Total Net Assets 100.00%		<u>\$ 96,235,259</u>		<u>\$ 91,868,619</u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
WELS EQUITY FUND
SCHEDULES OF INVESTMENTS
As of June 30, 2020 and 2019

	2020		2019	
	Shares	Fair Value	Shares	Fair Value
Vanguard Mutual Funds				
International Growth Fund				
Admiral Shares	4,457	\$ 514,799	4,464	\$ 419,513
International Value Fund	14,657	466,521	11,748	422,690
Mid-Cap Growth Fund	8,160	225,384	6,714	191,738
Strategic Equity Fund	7,449	211,987	5,836	186,751
Total International Stock Index Fund				
Institutional Shares	9,230	978,170	7,521	851,776
Total Stock Market Index Fund				
Institutional Shares	19,123	1,458,737	17,380	1,269,601
U.S. Growth Fund				
Admiral Shares	4,006	533,130	4,186	446,950
Windsor II Fund				
Admiral Shares	8,750	<u>505,124</u>	6,985	<u>443,437</u>
2020 Total Mutual Funds (Cost of \$4,237,326) 94.68%		4,893,852		
2019 Total Mutual Funds (Cost of \$3,533,475) 103.93%				4,232,456
2020 Other assets, less liabilities 5.32%		<u>274,975</u>		
2019 Other assets, less liabilities -3.93%				<u>(159,937)</u>
Total Net Assets 100.00%		<u><u>\$ 5,168,827</u></u>		<u><u>\$ 4,072,519</u></u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
WELS INCOME FUND
SCHEDULES OF INVESTMENTS
As of June 30, 2020 and 2019

	2020		2019	
	Shares	Fair Value	Shares	Fair Value
Vanguard Mutual Funds				
Intermediate-Term Investment-Grade Fund Admiral Shares	95,758	\$ 1,007,376	53,370	\$ 531,036
Short-Term Investment-Grade Fund Institutional Shares	45,358	496,222	73,237	784,364
Total International Bond Index Fund Institutional Shares	9,584	331,330	7,699	264,316
Total Bond Market Index Fund Institutional Shares	128,253	<u>1,489,017</u>	96,909	<u>1,059,215</u>
2020 Total Mutual Funds (Cost of \$3,192,087) 99.03%		3,323,945		
2019 Total Mutual Funds (Cost of \$2,652,056) 101.35%				2,638,931
2020 Other assets, less liabilities 0.97%		<u>32,713</u>		
2019 Other assets, less liabilities -1.35%				<u>(35,271)</u>
Total Net Assets 100.00%		<u><u>\$ 3,356,658</u></u>		<u><u>\$ 2,603,660</u></u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
CHARITABLE GIFT ANNUITY (CGA) FUND
SCHEDULES OF INVESTMENTS
As of June 30, 2020 and 2019

	2020		2019	
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Vanguard Mutual Funds				
Intermediate-Term Investment-Grade Fund Admiral Shares	-	\$ -	-	\$ -
Short-Term Investment-Grade Fund Institutional Shares	-	-	-	-
Total International Bond Index Fund Institutional Shares	-	-	-	-
Total International Stock Index Fund Institutional Shares	-	-	-	-
Total Bond Market Index Fund Institutional Shares	-	-	-	-
Total Stock Market Index Fund Institutional Shares	-	-	-	-
		<u>-</u>		<u>-</u>
2020 Total Mutual Funds		-		
2019 Total Mutual Funds				-
Total Net Assets 100.00%		<u>\$ -</u>		<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
STATEMENTS OF ASSETS AND LIABILITIES
As of June 30, 2020 and 2019

	<u>WELS Endowment Fund</u>		<u>WELS Balanced Fund</u>		<u>WELS Equity Fund</u>		<u>WELS Income Fund</u>		<u>CGA Fund</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
ASSETS												
Investments, at												
fair value	\$ 133,988,685	\$ 124,678,716	\$ 96,244,246	\$ 91,437,341	\$ 4,893,852	\$ 4,232,456	\$ 3,323,945	\$ 2,638,931	\$ -	\$ -	\$ 238,450,728	\$ 222,987,444
Due from WELS	175,262	265,444	222,884	611,184	302,970	1,550	43,253	25	-	-	744,369	878,203
Investor Contributions												
Receivable	-	-	-	135,767	-	-	-	-	-	-	-	135,767
Total assets	<u>\$ 134,163,947</u>	<u>\$ 124,944,160</u>	<u>\$ 96,467,130</u>	<u>\$ 92,184,292</u>	<u>\$ 5,196,822</u>	<u>\$ 4,234,006</u>	<u>\$ 3,367,198</u>	<u>\$ 2,638,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,195,097</u>	<u>\$ 224,001,414</u>
LIABILITIES												
Investor Redemptions												
Payable	\$ 72,588	\$ 35,554	\$ 231,871	\$ 315,673	\$ 27,995	\$ 161,487	\$ 10,540	\$ 35,296	\$ -	\$ -	\$ 342,994	\$ 548,010
Total liabilities	<u>72,588</u>	<u>35,554</u>	<u>231,871</u>	<u>315,673</u>	<u>27,995</u>	<u>161,487</u>	<u>10,540</u>	<u>35,296</u>	<u>-</u>	<u>-</u>	<u>342,994</u>	<u>548,010</u>
TOTAL NET ASSETS	<u>\$ 134,091,359</u>	<u>\$ 124,908,606</u>	<u>\$ 96,235,259</u>	<u>\$ 91,868,619</u>	<u>\$ 5,168,827</u>	<u>\$ 4,072,519</u>	<u>\$ 3,356,658</u>	<u>\$ 2,603,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,852,103</u>	<u>\$ 223,453,404</u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
STATEMENTS OF OPERATIONS
As of June 30, 2020 and 2019

	WELS Endowment Fund		WELS Balanced Fund		WELS Equity Fund		WELS Income Fund		CGA Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
INVESTMENT INCOME												
Dividend income	\$ 2,570,638	\$ 2,614,792	\$ 2,018,467	\$ 2,032,896	\$ 91,877	\$ 85,850	\$ 85,668	\$ 81,635	\$ -	\$ 165,148	\$ 4,766,650	\$ 4,980,321
Total income	2,570,638	2,614,792	2,018,467	2,032,896	91,877	85,850	85,668	81,635	-	165,148	4,766,650	4,980,321
EXPENSES												
Administration and fund accounting expenses	208,231	204,988	154,776	156,874	8,014	7,965	5,156	4,919	-	10,189	376,177	384,935
Professional fees	13,515	11,729	10,045	8,976	520	456	335	281	-	583	24,415	22,025
Board expenses	3,546	2,024	2,636	1,549	137	78	88	49	-	101	6,407	3,801
Total expenses	225,292	218,741	167,457	167,399	8,671	8,499	5,579	5,249	-	10,873	406,999	410,761
Net investment income	2,345,346	2,396,051	1,851,010	1,865,497	83,206	77,351	80,089	76,386	-	154,275	4,359,651	4,569,560
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS												
Net realized gain (loss) on investments	2,510,452	4,140,047	2,888,518	2,961,372	195,363	324,906	15,019	(32,522)	-	311,737	5,609,352	7,705,540
Net unrealized gain (loss) on investments	3,435,016	(73,962)	1,625,729	959,705	(42,455)	(182,937)	144,983	140,581	-	(327,673)	5,163,273	515,714
Net realized and unrealized gain (loss) on investments	5,945,468	4,066,085	4,514,247	3,921,077	152,908	141,969	160,002	108,059	-	(15,936)	10,772,625	8,221,254
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 8,290,814</u>	<u>\$ 6,462,136</u>	<u>\$ 6,365,257</u>	<u>\$ 5,786,574</u>	<u>\$ 236,114</u>	<u>\$ 219,320</u>	<u>\$ 240,091</u>	<u>\$ 184,445</u>	<u>\$ -</u>	<u>\$ 138,339</u>	<u>\$ 15,132,276</u>	<u>\$ 12,790,814</u>

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
STATEMENTS OF CHANGES IN NET ASSETS
As of June 30, 2020 and 2019

	<u>WELS Endowment Fund</u>		<u>WELS Balanced Fund</u>		<u>WELS Equity Fund</u>		<u>WELS Income Fund</u>		<u>CGA Fund</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
OPERATIONS												
Net investment income	\$ 2,345,346	\$ 2,396,051	\$ 1,851,010	\$ 1,865,497	\$ 83,206	\$ 77,351	\$ 80,089	\$ 76,386	\$ -	\$ 154,275	\$ 4,359,651	\$ 4,569,560
Net realized gain (loss) on investments	2,510,452	4,140,047	2,888,518	2,961,372	195,363	324,906	15,019	(32,522)	-	311,737	5,609,352	7,705,540
Net unrealized gain (loss) on investments	3,435,016	(73,962)	1,625,729	959,705	(42,455)	(182,937)	144,983	140,581	-	(327,673)	5,163,273	515,714
Net increase in net assets resulting from operations	8,290,814	6,462,136	6,365,257	5,786,574	236,114	219,320	240,091	184,445	-	138,339	15,132,276	12,790,814
Investor transactions:												
Transfers	-	114,582,401	-	(104,768,248)	-	-	-	-	-	(9,814,153)	-	-
Contributions	5,407,082	7,103,819	5,866,344	4,255,451	1,671,585	244,636	1,036,755	174,407	-	228,000	13,981,766	12,006,313
Redemptions	(4,515,143)	(3,239,750)	(7,864,961)	(11,645,175)	(811,391)	(1,002,863)	(523,848)	(550,311)	-	(44,159)	(13,715,343)	(16,482,258)
TOTAL INCREASE (DECREASE) IN NET ASSETS	9,182,753	124,908,606	4,366,640	(106,371,398)	1,096,308	(538,907)	752,998	(191,459)	-	(9,491,973)	15,398,699	8,314,869
NET ASSETS												
Beginning of year	124,908,606	-	91,868,619	198,240,017	4,072,519	4,611,426	2,603,660	2,795,119	-	9,491,973	223,453,404	215,138,535
End of year	\$ 134,091,359	\$ 124,908,606	\$ 96,235,259	\$ 91,868,619	\$ 5,168,827	\$ 4,072,519	\$ 3,356,658	\$ 2,603,660	\$ -	\$ -	\$ 238,852,103	\$ 223,453,404

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS, INC.
WELS FUNDS
FINANCIAL HIGHLIGHTS
For the years ended June 30, 2020 and 2019

	<u>WELS Endowment Fund</u>		<u>WELS Balanced Fund</u>		<u>WELS Equity Fund</u>		<u>WELS Income Fund</u>		<u>CGA Fund</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Total return	6.58%	5.52%	7.17%	6.49%	6.46%	5.71%	7.93%	7.32%	0.00%	1.39%
Ratio of expenses to average net assets ¹	0.18%	0.20%	0.18%	0.18%	0.18%	0.19%	0.18%	0.19%	0.00%	0.11%
Ratio of net investment income to average net assets	1.87%	2.24%	2.00%	1.99%	1.72%	1.77%	2.54%	2.83%	0.00%	1.61%

¹ The ratio of expenses to average net assets includes only the expenses of the Funds and not the underlying portfolio fees.

The accompanying notes are an integral part of the financial statements.

WELS INVESTMENT FUNDS

Notes to Financial Statements
As of and for the years ended June 30, 2020 and June 30, 2019

NOTE (1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

WELS Investment Funds, Inc. (WIF) was incorporated under the laws of the State of Wisconsin on June 17, 1997 as a charitable nonstock, not-for-profit corporation for the purpose of providing and managing investment portfolios for the Wisconsin Evangelical Lutheran Synod (WELS), a not-for-profit religious organization, and charitable entities affiliated with WELS. The sole member of WIF is WELS. In addition to WELS Investment Funds, Inc., WELS has eight additional legal entities to carry out its activities. These entities include four ministerial education schools: Wisconsin Lutheran Seminary, Martin Luther College, Michigan Lutheran Seminary, and Luther Preparatory School. Also included in these entities are: Northwestern Publishing House, which is involved in publishing and selling religious materials; WELS Church Extension Fund, Inc., which accepts investments from WELS entities, congregations and members in order to make loans to congregations for purposes of building or purchasing parsonages, land and worship facilities; WELS Foundation, Inc. (WELS Foundation), which supports the philanthropic desires of Christians that are consistent with the principles of WELS; and WELS Historical Institute, which exists to preserve and present the history of WELS.

WIF establishes objectives and guidelines for its investment portfolio, monitors performance and serves as administrator and fund accountant of WELS Endowment Fund, WELS Balanced Fund, WELS Equity Fund, WELS Income Fund, and CGA Fund (the Funds).

The Funds' transactions are processed on the first business day of each month. Contributions and/or redemption requests must be received by the Funds at least one business day prior to month end processing. Funds received prior to month end will be held in a non-interest bearing cash account, at WELS, until processed. Redemption proceeds will be deposited in the organization's bank account via direct deposit. The Funds' investment objectives are as follows:

- WELS Endowment Fund – This fund's objective is to provide a mixture of growth and income by investing 75% in a portfolio of equity mutual funds and 25% in a portfolio of fixed income mutual funds that are well diversified by geography, industry and market capitalization.
- WELS Balanced Fund – This fund's objective is to provide a mixture of growth and income by investing 60% in a portfolio of equity mutual funds and 40% in a portfolio of fixed income mutual funds that are well diversified by geography, industry and market capitalization.

WELS INVESTMENT FUNDS

Notes to Financial Statements
As of and for the years ended June 30, 2020 and June 30, 2019

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Organization (continued)

WELS Equity Fund – This fund’s objective is to provide long-term capital growth by investing in a portfolio of equity mutual funds that are well diversified by geography, industry and market capitalization.

WELS Income Fund – This fund’s objective is to provide income by investing in a portfolio of fixed income mutual funds that are well diversified by geography, industry and market capitalization.

CGA Fund – This fund’s objective was to provide a mixture of growth and income by investing 40% in a portfolio of equity mutual funds and 60% in a portfolio of fixed income mutual funds that are well diversified by geography, industry and market capitalization. In January 2019 this asset allocation was changed to mirror the Balanced Fund. The CGA Fund was then transferred to the Balanced Fund and the fund was closed.

WIF focuses on three primary factors when managing investment portfolios:

1) controlling market risks through asset allocation, 2) selection of quality investment managers, and 3) controlling direct and indirect costs. WIF has retained Vanguard Institutional Advisory Services to manage the investment portfolios.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Funds follow accounting and reporting guidance in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 946, Financial Services – Investment Companies.

Investments

Investments in the underlying funds are valued at their reported net asset value, which was determined at the close of the New York Stock Exchange on the day of valuation. Investment in the Funds involves investment risks such as market risk, credit risk, asset allocation risk, and manager risk, among others.

WELS INVESTMENT FUNDS

Notes to Financial Statements
As of and for the years ended June 30, 2020 and June 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments (continued)

Accounting guidance requires disclosures about assets and liabilities carried at fair value and 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 (exit price) and establishes a framework for measuring fair value.

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement). Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as listed equities and mutual funds. All of WIF's investments for 2020 and 2019 are Level 1.

(e) Due from WELS

Due from WELS represents a related party receivable for investor contributions held by WELS on behalf of WIF.

(f) Investor Contributions Receivable

Investor contributions receivable represents amounts due from investors based on transfer requests between funds received June 1 through June 30, 2020 and 2019, respectively.

(g) Investor Redemptions Payable

Investor redemptions payable represents amounts due to investors based on redemption and transfer requests received June 1 through June 30, 2020 and 2019, respectively.

(h) Investment Income

Dividend income is recorded on the ex-dividend date.

WELS INVESTMENT FUNDS

Notes to Financial Statements
As of and for the years ended June 30, 2020 and June 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Fund Expenses

The Funds monthly reimburse WELS for indirect costs (i.e. human resource support, accounting support, etc.) through a cost allocation. Administration and fund accounting expenses are paid by WELS and reimbursed by WIF. Expenses are prorated across the Funds based on the net asset balance of each fund and were as follows:

	Year ended June 30, 2020					
	Endowment Fund	Balanced Fund	Equity Fund	Income Fund	CGA Fund	Total
Wages and benefits	\$ 77,220	\$ 57,396	\$ 2,972	\$ 1,912	\$ -	\$ 139,500
Indirect costs	55,355	41,144	2,130	1,371	-	100,000
Investment Consultant	33,213	24,686	1,279	822	-	60,000
Insurance	21,317	15,845	820	528	-	38,510
Other	21,126	15,705	813	523	-	38,167
Administration and fund accounting expenses	<u>\$ 208,231</u>	<u>\$ 154,776</u>	<u>\$ 8,014</u>	<u>\$ 5,156</u>	<u>\$ -</u>	<u>\$ 376,177</u>

	Year ended June 30, 2019					
	Endowment Fund	Balanced Fund	Equity Fund	Income Fund	CGA Fund	Total
Wages and benefits	\$ 71,516	\$ 54,730	\$ 2,779	\$ 1,716	\$ 3,555	\$ 134,296
Indirect costs	53,253	40,753	2,069	1,278	2,647	100,000
Investment Consultant	31,951	24,452	1,242	767	1,588	60,000
Insurance	19,364	14,819	752	465	962	36,362
Other	28,904	22,120	1,123	693	1,437	54,277
Administration and fund accounting expenses	<u>\$ 204,988</u>	<u>\$ 156,874</u>	<u>\$ 7,965</u>	<u>\$ 4,919</u>	<u>\$ 10,189</u>	<u>\$ 384,935</u>

WELS INVESTMENT FUNDS

Notes to Financial Statements
As of and for the years ended June 30, 2020 and June 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Allocation of Net Profits and Losses

Net investment income and net realized and unrealized gains and losses are determined and allocated as of the close of business on the last day of each month to and among the investors in proportion to their respective Fund percentage, determined by dividing the amount of each investors capital account by the capital accounts of all the investor's as of the beginning of each month. The investors within the WELS Endowment Fund and WELS Balanced Fund are separated into various investor pools. Income, gains and losses are allocated similarly but in proportion to the investors investment in the respective pools.

Investment transactions are recorded on the trade date. Realized gains and losses are determined on the identified cost basis.

NOTE (2) – TAX EXEMPT STATUS

The Internal Revenue Service has issued rulings that the WELS, its districts, congregations, educational institutions, and charitable and religious organizations are exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

NOTE (3) – GUARANTEES AND INDEMNIFICATIONS

In the normal course of business, WIF enters into contracts with service providers that contain general indemnification clauses. The maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, WIF expects the risk of loss to be remote.

NOTE (4) - RELATED PARTY INVESTMENT TRANSACTIONS

WELS controlled entities are the primary investors in the Funds. WELS controlled entities' holdings represented 76% and 78% of the net assets of the Funds in 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
WELS Foundation, Inc.	\$148,579,741	\$139,943,095
WELS Church Extension Fund, Inc.	28,076,255	27,463,055
Martin Luther College	3,733,869	3,685,986
Northwestern Publishing House	1,703,749	2,934,107

WELS INVESTMENT FUNDS

Notes to Financial Statements

As of and for the years ended June 30, 2020 and June 30, 2019

NOTE (5) - SUBSEQUENT EVENTS

WIF has evaluated subsequent events through August 10, 2020; the date that the financial statements were available to be issued. The evaluation identified no subsequent events requiring adjustment or disclosure.