

WELS INVESTMENT FUNDS, INC.

Waukesha, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the years ended June 30, 2023 and 2022

WELS INVESTMENT FUNDS, INC.

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Independent Auditors' Report

To the Board of Directors of WELS Investment Funds, Inc. and the Accounting Oversight Committee of the Wisconsin Evangelical Lutheran Synod

Opinion

We have audited the financial statements and financial highlights of WELS Investment Funds, Inc., including the WELS Endowment Fund, WELS Balanced Fund, WELS Equity Fund, and WELS Income Fund (collectively, the Funds), which comprise the statements of assets and liabilities, including the schedules of investments as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements and financial highlights present fairly, in all material respects, the financial position of the Funds as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements and Financial Highlights section of our report. We are required to be independent of the Funds 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 and Financial Highlights

Management is responsible for the preparation and fair presentation of the financial statements and financial highlights 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 financial statements and financial highlights that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements and Financial Highlights

Our objectives are to obtain reasonable assurance about whether the financial statements and financial highlights as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 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 financial statements and financial highlights.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements and financial highlights, 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 financial statements and financial highlights.
- 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 Fund'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 financial statements and financial highlights.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' 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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
August 14, 2023

WELS INVESTMENT FUNDS, INC.
WELS ENDOWMENT FUND
SCHEDULES OF INVESTMENTS
As of June 30, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Vanguard Mutual Funds				
Equity Income Fund				
Admiral Shares	88,905	\$ 7,484,933	94,358	\$ 7,956,227
Explorer Fund				
Admiral Shares	40,004	3,898,004	35,229	3,095,890
Intermediate-Term Investment-Grade Fund				
Admiral Shares	971,982	8,193,811	1,160,941	9,949,261
International Growth Fund				
Admiral Shares	125,663	12,893,049	110,960	10,572,308
International Value Fund	323,546	12,990,368	331,582	11,595,421
PRIMECAP Core Fund	637,593	19,574,105	623,434	17,549,662
Short-Term Investment-Grade Fund				
Institutional Shares	722,517	7,210,717	676,352	6,817,629
Total International Bond Index Fund				
Institutional Shares	152,497	4,457,500	168,411	4,998,452
Total International Stock Index Fund				
Institutional Shares	212,311	25,551,603	205,716	22,727,503
Total Bond Market Index Fund				
Institutional Shares	1,711,149	16,341,475	2,037,833	20,194,921
Total Stock Market Index Fund				
Institutional Shares	367,188	39,410,327	369,485	33,911,339
U.S. Growth Fund				
Admiral Shares	61,850	8,221,760	53,221	5,543,503
Ultra-Short-Term Bond Fund				
Admiral Shares	249,694	<u>4,933,958</u>	-	<u>-</u>
2023 Total Mutual Funds (Cost of \$156,763,720) 100.03%		171,161,610		
2022 Total Mutual Funds (Cost of \$154,841,959) 99.96%				154,912,116
2023 Other assets, less liabilities -0.03%		<u>(44,435)</u>		
2022 Other assets, less liabilities 0.04%				<u>56,953</u>
Total Net Assets 100.00%		<u>\$ 171,117,175</u>		<u>\$ 154,969,069</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, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Vanguard Mutual Funds				
Equity Income Fund				
Admiral Shares	46,333	\$ 3,900,810	46,741	\$ 3,941,167
Explorer Fund				
Admiral Shares	20,766	2,023,462	19,752	1,735,788
Intermediate-Term Investment-Grade Fund				
Admiral Shares	1,271,808	10,721,338	1,258,738	10,787,381
International Growth Fund				
Admiral Shares	66,700	6,843,438	61,085	5,820,202
International Value Fund	171,001	6,865,681	177,678	6,213,394
PRIMECAP Core Fund	330,054	10,132,666	332,041	9,346,962
Short-Term Investment-Grade Fund				
Institutional Shares	641,000	6,397,181	645,876	6,510,428
Total International Bond Index Fund				
Institutional Shares	146,550	4,283,646	147,533	4,378,778
Total International Stock Index Fund				
Institutional Shares	113,733	13,687,761	111,330	12,299,768
Total Bond Market Index Fund				
Institutional Shares	1,789,997	17,094,472	2,192,091	21,723,618
Total Stock Market Index Fund				
Institutional Shares	189,859	20,377,546	195,277	17,922,534
U.S. Growth Fund				
Admiral Shares	32,240	4,285,689	31,421	3,272,785
Ultra-Short-Term Bond Fund				
Admiral Shares	217,058	<u>4,289,064</u>	-	<u>-</u>
2023 Total Mutual Funds (Cost of \$105,209,067) 99.68%		110,902,754		
2022 Total Mutual Funds (Cost of \$105,941,402) 99.97%				103,952,805
2023 Other assets, less liabilities 0.32%		<u>351,417</u>		
2022 Other assets, less liabilities 0.03%				<u>33,535</u>
Total Net Assets 100.00%		<u>\$ 111,254,171</u>		<u>\$ 103,986,340</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, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Vanguard Mutual Funds				
Equity Income Fund				
Admiral Shares	5,679	\$ 478,086	5,040	\$ 424,938
Explorer Fund				
Admiral Shares	2,493	242,874	1,979	173,949
International Growth Fund				
Admiral Shares	7,629	782,709	6,251	595,563
International Value Fund	19,758	793,270	18,681	653,270
PRIMECAP Core Fund	39,220	1,204,048	36,028	1,014,192
Total International Stock Index Fund				
Institutional Shares	13,060	1,571,739	11,512	1,271,800
Total Stock Market Index Fund				
Institutional Shares	22,446	2,409,090	21,143	1,940,483
U.S. Growth Fund				
Admiral Shares	3,732	<u>496,053</u>	2,715	<u>282,823</u>
2023 Total Mutual Funds (Cost of \$7,051,573) 101.34%		7,977,869		
2022 Total Mutual Funds (Cost of \$6,124,826) 98.90%				6,357,018
2023 Other assets, less liabilities -1.34%		<u>(105,160)</u>		
2022 Other assets, less liabilities 1.10%				<u>70,907</u>
Total Net Assets 100.00%		<u>\$ 7,872,709</u>		<u>\$ 6,427,925</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, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Vanguard Mutual Funds				
Intermediate-Term Investment-Grade Fund				
Admiral Shares	136,343	\$ 1,149,368	156,356	\$ 1,339,968
Short-Term Investment-Grade Fund				
Institutional Shares	97,243	970,480	67,232	677,697
Total International Bond Index Fund				
Institutional Shares	15,149	442,809	15,082	447,636
Total Bond Market Index Fund				
Institutional Shares	148,077	1,414,139	204,959	2,031,141
Ultra-Short-Term Bond Fund				
Admiral Shares	22,417	<u>442,968</u>	-	<u>-</u>
2023 Total Mutual Funds (Cost of \$4,918,936) 100.08 %		4,419,764		
2022 Total Mutual Funds (Cost of \$5,110,746) 100.07%				4,496,442
2023 Other assets, less liabilities -0.08%		<u>(3,657)</u>		
2022 Other assets, less liabilities -0.07%				<u>(3,344)</u>
Total Net Assets 100.00%		<u>\$ 4,416,107</u>		<u>\$ 4,493,098</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, 2023 and 2022

	WELS Endowment Fund		WELS Balanced Fund		WELS Equity Fund		WELS Income Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS										
Investments, at fair value	\$ 171,161,610	\$ 154,912,116	\$ 110,902,754	\$ 103,952,805	\$ 7,977,869	\$ 6,357,018	\$ 4,419,764	\$ 4,496,442	\$ 294,461,997	\$ 269,718,381
Due from WELS	13,541	67,423	506,051	318,367	3,625	70,990	24	124	523,241	456,904
Total assets	<u>\$ 171,175,151</u>	<u>\$ 154,979,539</u>	<u>\$ 111,408,805</u>	<u>\$ 104,271,172</u>	<u>\$ 7,981,494</u>	<u>\$ 6,428,008</u>	<u>\$ 4,419,788</u>	<u>\$ 4,496,566</u>	<u>\$ 294,985,238</u>	<u>\$ 270,175,285</u>
LIABILITIES										
Investor Redemptions Payable	\$ 57,976	\$ 10,470	\$ 154,634	\$ 284,832	\$ 108,785	\$ 83	\$ 3,681	\$ 3,468	\$ 325,076	\$ 298,853
Total liabilities	<u>57,976</u>	<u>10,470</u>	<u>154,634</u>	<u>284,832</u>	<u>108,785</u>	<u>83</u>	<u>3,681</u>	<u>3,468</u>	<u>325,076</u>	<u>298,853</u>
TOTAL NET ASSETS	<u>\$ 171,117,175</u>	<u>\$ 154,969,069</u>	<u>\$ 111,254,171</u>	<u>\$ 103,986,340</u>	<u>\$ 7,872,709</u>	<u>\$ 6,427,925</u>	<u>\$ 4,416,107</u>	<u>\$ 4,493,098</u>	<u>\$ 294,660,162</u>	<u>\$ 269,876,432</u>

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

WELS INVESTMENT FUNDS, INC.
STATEMENTS OF OPERATIONS
As of June 30, 2023 and 2022

	<u>WELS Endowment Fund</u>		<u>WELS Balanced Fund</u>		<u>WELS Equity Fund</u>		<u>WELS Income Fund</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
INVESTMENT INCOME										
Dividend income	\$ 3,444,698	\$ 3,197,014	\$ 2,466,415	\$ 2,211,296	\$ 147,929	\$ 127,011	\$ 129,317	\$ 112,786	\$ 6,188,359	\$ 5,648,107
Total income	3,444,698	3,197,014	2,466,415	2,211,296	147,929	127,011	129,317	112,786	6,188,359	5,648,107
EXPENSES										
Administration and fund accounting expenses	252,104	281,963	168,559	188,255	12,018	12,117	7,092	8,270	439,773	490,605
Professional fees	13,347	12,971	8,924	8,661	636	557	375	380	23,282	22,569
Board expenses	2,735	2,612	1,828	1,744	130	112	77	77	4,770	4,545
Total expenses	268,186	297,546	179,311	198,660	12,784	12,786	7,544	8,727	467,825	517,719
Net investment income	3,176,512	2,899,468	2,287,104	2,012,636	135,145	114,225	121,773	104,059	5,720,534	5,130,388
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS										
Net realized gain (loss) on investments	1,416,715	6,253,072	8,248	3,502,582	234,167	285,303	(252,441)	5,612	1,406,689	10,046,569
Net unrealized gain (loss) on investments	14,327,733	(39,580,942)	7,682,284	(24,319,469)	694,104	(1,853,705)	115,132	(664,429)	22,819,253	(66,418,545)
Net realized and unrealized gain (loss) on investments	15,744,448	(33,327,870)	7,690,532	(20,816,887)	928,271	(1,568,402)	(137,309)	(658,817)	24,225,942	(56,371,976)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ <u>18,920,960</u>	\$ <u>(30,428,402)</u>	\$ <u>9,977,636</u>	\$ <u>(18,804,251)</u>	\$ <u>1,063,416</u>	\$ <u>(1,454,177)</u>	\$ <u>(15,536)</u>	\$ <u>(554,758)</u>	\$ <u>29,946,476</u>	\$ <u>(51,241,588)</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, 2023 and 2022

	<u>WELS Endowment Fund</u>		<u>WELS Balanced Fund</u>		<u>WELS Equity Fund</u>		<u>WELS Income Fund</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
OPERATIONS										
Net investment income	\$ 3,176,512	\$ 2,899,468	\$ 2,287,104	\$ 2,012,636	\$ 135,145	\$ 114,225	\$ 121,773	\$ 104,059	\$ 5,720,534	\$ 5,130,388
Net realized gain (loss) on investments	1,416,715	6,253,072	8,248	3,502,582	234,167	285,303	(252,441)	5,612	1,406,689	10,046,569
Net unrealized gain (loss) on investments	<u>14,327,733</u>	<u>(39,580,942)</u>	<u>7,682,284</u>	<u>(24,319,469)</u>	<u>694,104</u>	<u>(1,853,705)</u>	<u>115,132</u>	<u>(664,429)</u>	<u>22,819,253</u>	<u>(66,418,545)</u>
Net increase (decrease) in net assets resulting from operations	18,920,960	(30,428,402)	9,977,636	(18,804,251)	1,063,416	(1,454,177)	(15,536)	(554,758)	29,946,476	(51,241,588)
Investor transactions:										
Contributions	7,588,947	12,354,706	9,802,418	13,795,391	2,281,687	640,598	724,096	431,008	20,397,148	27,221,703
Redemptions	<u>(10,361,801)</u>	<u>(5,292,894)</u>	<u>(12,512,223)</u>	<u>(8,235,778)</u>	<u>(1,900,319)</u>	<u>(332,791)</u>	<u>(785,551)</u>	<u>(814,271)</u>	<u>(25,559,894)</u>	<u>(14,675,734)</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS	16,148,106	(23,366,590)	7,267,831	(13,244,638)	1,444,784	(1,146,370)	(76,991)	(938,021)	24,783,730	(38,695,619)
NET ASSETS										
Beginning of year	<u>154,969,069</u>	<u>178,335,659</u>	<u>103,986,340</u>	<u>117,230,978</u>	<u>6,427,925</u>	<u>7,574,295</u>	<u>4,493,098</u>	<u>5,431,119</u>	<u>269,876,432</u>	<u>308,572,051</u>
End of year	<u>\$ 171,117,175</u>	<u>\$ 154,969,069</u>	<u>\$ 111,254,171</u>	<u>\$ 103,986,340</u>	<u>\$ 7,872,709</u>	<u>\$ 6,427,925</u>	<u>\$ 4,416,107</u>	<u>\$ 4,493,098</u>	<u>\$ 294,660,162</u>	<u>\$ 269,876,432</u>

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

WELS INVESTMENT FUNDS, INC.
FINANCIAL HIGHLIGHTS
For the years ended June 30, 2023 and 2022

	<u>WELS Endowment Fund</u>		<u>WELS Balanced Fund</u>		<u>WELS Equity Fund</u>		<u>WELS Income Fund</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Total return	12.42%	(16.50)%	9.74%	(15.32)%	14.45%	(18.48)%	(0.18)%	(10.76)%
Ratio of expenses to average net assets ¹	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Ratio of net investment income to average net assets	2.00%	1.67%	2.16%	1.73%	1.78%	1.53%	2.75%	2.06%

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, INC.

Notes to Financial Statements
As of and for the years ended June 30, 2023 and June 30, 2022

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 benefit of the Wisconsin Evangelical Lutheran Synod (WELS) and its schools, congregations, and other affiliated organizations. WELS is a Wisconsin not-for-profit religious organization of congregations, pastors, and teachers that believe in a common theological doctrine and is the sole corporate member of WIF. WIF is included in the consolidated financial statements of WELS. In addition to WIF, WELS has eight additional legal entities to carry out its activities, including:

- Wisconsin Lutheran Seminary, Inc. (WLS) — WLS is WELS seminary in Mequon, WI focused on the theological training of men who intend to enter the pastoral ministry of WELS.
- Martin Luther College (MLC) — MLC is WELS college in New Ulm, MN that specializes in training pastors, teachers, staff ministers, and early childhood coordinators and care providers to serve WELS.
- Michigan Lutheran Seminary (MLS) — MLS is a WELS preparatory school in Saginaw, MI focused on training students for the public ministry of WELS.
- Luther Preparatory School, Inc. (LPS) — LPS is a WELS preparatory school in Watertown, WI focused on training students for the public ministry of WELS.
- Northwestern Publishing House (NPH) — NPH develops, publishes, and sells Biblically sound Christ-centered resources including curriculum, periodicals, books, pamphlets, and other religious materials within WELS.
- WELS Church Extension Fund, Inc. (WELS CEF) — WELS CEF accepts investments from WELS entities, congregations, and members in order to provide financing to qualified congregations for purposes of acquiring land and building or renovating ministry facilities.
- WELS Foundation, Inc. (WELS Foundation) — WELS Foundation supports the philanthropic desires of Christians by providing planned giving services and administrative support for donor directed gifts benefiting WELS' congregations and ministries.
- WELS Historical Institute (WHI) — WHI was founded to preserve and present the history of WELS.

WELS INVESTMENT FUNDS, INC.

Notes to Financial Statements
As of and for the years ended June 30, 2023 and June 30, 2022

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

(a) Organization (continued)

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, and WELS Income 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 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.

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.

(b) Basis of Presentation

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

WELS INVESTMENT FUNDS, INC.

Notes to Financial Statements
As of and for the years ended June 30, 2023 and June 30, 2022

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

(c) 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.

(d) 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.

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 2023 and 2022 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 Redemptions Payable

Investor redemptions payable represents amounts due to investors based on redemption and transfer requests received June 1 through June 30, 2023 and 2022, respectively.

(g) Investment Income

Dividend income is recorded on the ex-dividend date.

WELS INVESTMENT FUNDS, INC.

Notes to Financial Statements
As of and for the years ended June 30, 2023 and June 30, 2022

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

(h) 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, 2023				
	Endowment Fund	Balanced Fund	Equity Fund	Income Fund	Total
Wages and benefits	\$ 109,321	\$ 73,094	\$ 5,212	\$ 3,075	\$ 190,702
Indirect costs	21,841	14,604	1,041	614	38,100
Investment consultant	68,556	45,836	3,268	1,929	119,589
Insurance	26,430	17,671	1,260	744	46,105
Other	25,956	17,354	1,237	730	45,277
Administration and fund accounting expenses	\$ 252,104	\$ 168,559	\$ 12,018	\$ 7,092	\$ 439,773

	Year ended June 30, 2022				
	Endowment Fund	Balanced Fund	Equity Fund	Income Fund	Total
Wages and benefits	\$ 97,454	\$ 65,066	\$ 4,188	\$ 2,858	\$ 169,566
Indirect costs	21,897	14,620	941	642	38,100
Investment consultant	51,725	34,535	2,223	1,517	90,000
Insurance	27,475	18,344	1,180	806	47,805
Other	83,412	55,690	3,585	2,447	145,134
Administration and fund accounting expenses	\$ 281,963	\$ 188,255	\$ 12,117	\$ 8,270	\$ 490,605

WELS INVESTMENT FUNDS, INC.

Notes to Financial Statements
As of and for the years ended June 30, 2023 and June 30, 2022

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

(i) 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.

WELS INVESTMENT FUNDS, INC.

Notes to Financial Statements
As of and for the years ended June 30, 2023 and June 30, 2022

NOTE (4) — RELATED PARTY INVESTMENT TRANSACTIONS

WELS controlled entities are the primary investors in the Funds. WELS controlled entities' holdings represented 73% and 74% of the net assets of the Funds as of June 30, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
WELS Foundation, Inc.	\$174,950,509	\$165,363,526
WELS Church Extension Fund, Inc.	31,172,486	28,919,577
Martin Luther College	4,121,429	3,838,609
Northwestern Publishing House	5,852,727	2,688,489

NOTE (5) — SUBSEQUENT EVENTS

WIF has evaluated subsequent events through August 14, 2023; the date that the financial statements were available to be issued. The evaluation identified no subsequent events requiring adjustment or disclosure.