Report of Independent Auditors

The Board of Directors
Lilly Endowment Inc.

We have audited the accompanying financial statements of Lilly Endowment Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements 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 are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, 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 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.

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 referred to above present fairly, in all material respects, the financial position of Lilly Endowment Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

March 18, 2021
## Statements of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$192,712,931</td>
<td>$102,895,606</td>
</tr>
<tr>
<td>Other receivables</td>
<td>4,229,536</td>
<td>4,531,089</td>
</tr>
<tr>
<td>Investments—at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States government and agency, bank, and corporate interest-bearing obligations</td>
<td>195,544,772</td>
<td>249,050,902</td>
</tr>
<tr>
<td>Eli Lilly and Company common stock (cost—$81,354,048 at December 31, 2020, and $81,835,254 at December 31, 2019)</td>
<td>18,763,584,792</td>
<td>15,056,699,527</td>
</tr>
<tr>
<td>Diversified equity investments</td>
<td>1,850,235,860</td>
<td>1,564,553,202</td>
</tr>
<tr>
<td>Other assets</td>
<td>970,637</td>
<td>86,447</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$21,007,278,528</td>
<td>$16,977,816,773</td>
</tr>
</tbody>
</table>

| **Liabilities**      |                 |                 |
| Amounts appropriated for future grants | $162,920,466 | $104,554,908 |
| Federal excise tax payable | - | 1,098,576 |
| Deferred tax liability | 266,072,722 | 211,402,789 |
| **Total Liabilities** | 428,993,188 | 317,056,273 |

| Net assets without donor restrictions | 20,578,285,340 | 16,660,760,500 |
| **Total Net Assets**                | $21,007,278,528 | $16,977,816,773 |

See accompanying notes.
### Statements of Activities

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>$366,486,858</td>
<td>$336,001,433</td>
</tr>
<tr>
<td>Interest</td>
<td>6,943,653</td>
<td>7,776,108</td>
</tr>
<tr>
<td>Total income</td>
<td>$373,430,511</td>
<td>343,777,541</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program grants approved</td>
<td>847,439,861</td>
<td>542,788,367</td>
</tr>
<tr>
<td>Program support</td>
<td>10,019,036</td>
<td>9,695,262</td>
</tr>
<tr>
<td>Operational support</td>
<td>6,564,437</td>
<td>7,713,393</td>
</tr>
<tr>
<td>Current federal excise tax</td>
<td>12,729,363</td>
<td>15,198,576</td>
</tr>
<tr>
<td>Deferred federal excise tax</td>
<td>54,669,933</td>
<td>(58,884,715)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>931,422,630</td>
<td>516,510,883</td>
</tr>
<tr>
<td>Realized gain on sale of investments</td>
<td>554,050,020</td>
<td>428,463,140</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>3,921,201,608</td>
<td>1,683,867,433</td>
</tr>
<tr>
<td>Other income</td>
<td>265,331</td>
<td>325,704</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>3,917,524,840</td>
<td>1,939,922,935</td>
</tr>
<tr>
<td><strong>Net assets without donor restrictions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>16,660,760,500</td>
<td>14,720,837,565</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>3,917,524,840</td>
<td>1,939,922,935</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$20,578,285,340</td>
<td>$16,660,760,500</td>
</tr>
</tbody>
</table>

See accompanying notes.
## Statements of Cash Flows

### Operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$3,917,524,840</td>
<td>$1,939,922,935</td>
</tr>
</tbody>
</table>

Adjustments to reconcile change in net assets to net cash used in operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment expenses</td>
<td>413,239</td>
<td>895,548</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>(3,921,201,608)</td>
<td>(1,683,867,433)</td>
</tr>
<tr>
<td>Realized gain on sale of investments</td>
<td>(554,050,020)</td>
<td>(428,463,140)</td>
</tr>
</tbody>
</table>

Changes in assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>301,553</td>
<td>364,164</td>
</tr>
<tr>
<td>Other assets</td>
<td>(884,190)</td>
<td>8,691,322</td>
</tr>
<tr>
<td>Amounts appropriated for future grants</td>
<td>58,365,558</td>
<td>2,487,257</td>
</tr>
<tr>
<td>Federal excise tax payable</td>
<td>(1,098,576)</td>
<td>1,098,576</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>54,669,933</td>
<td>(58,884,715)</td>
</tr>
</tbody>
</table>

Net cash used in operating activities                          | (445,959,271) | (217,755,486)     |

### Investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of investments</td>
<td>(604,067,812)</td>
<td>(495,438,979)</td>
</tr>
<tr>
<td>Proceeds from sale and maturity of investments</td>
<td>1,140,257,647</td>
<td>761,767,956</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>(413,239)</td>
<td>(895,548)</td>
</tr>
</tbody>
</table>

Net cash provided by investing activities                       | 535,776,596 | 265,433,429       |

Net increase in cash and cash equivalents                      | 89,817,325  | 47,677,943         |
Cash and cash equivalents at beginning of year                  | 102,895,606 | 55,217,663         |
Cash and cash equivalents at end of year                        | $192,712,931 | $102,895,606       |

See accompanying notes.
Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

Description of Organization
Lilly Endowment Inc. (the Endowment) is an Indianapolis based, private philanthropic foundation created in 1937 by J.K. Lilly Sr. and sons Eli and J.K. Jr. through gifts of stock in their pharmaceutical business, Eli Lilly and Company. The stock of Eli Lilly and Company continues to be the Endowment's most significant asset. The Endowment supports the causes of religion, education and community development. The Internal Revenue Service has determined that the Endowment is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. It remains a private foundation subject to federal excise tax on net investment income.

Basis of Presentation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expense and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Subsequent events have been evaluated through March 18, 2021, the date these financial statements were issued. There were no subsequent events that required recognition or disclosure in the financial statements.

Cash and Cash Equivalents
Investments with original maturities of three months or less at the time of purchase are considered to be cash equivalents.

Investments
Investments are stated at fair value in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not for Profit Entities. Investments comprise equity and fixed income securities, which are recorded at market-quoted fair values. Changes in fair value are recorded in the statements of activities. There are no restrictions on investments.

Realized gains and losses from the sales of Eli Lilly and Company common stock are calculated using the first-in, first-out method of allocating cost.

Facilities and Equipment
Expenditures for facilities and equipment are expensed as incurred. The amounts expensed during 2020 and 2019 are not material to the financial statements.

Grants
The Endowment primarily makes grants to organizations that qualify as public charities under the Internal Revenue Code (the Code). When distributions are made to organizations other than public charities, the Endowment assumes expenditure responsibility as required under applicable federal law. Grants are approved by the Board of Directors or its authorized representatives and are accrued when approved. Amounts appropriated for future grants at December 31, 2020, are expected to be paid to grantees as follows: $153,370,466 in 2021, $8,175,000 in 2022 and $1,375,000 in 2023.

Functional Allocation of Expenses
The Endowment allocates expenses based on nature and function among its various programs and supporting services.

Income Recognition
Income is recognized when amounts are realizable and earned. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

2. Required Distributions
The Code provides that the Endowment generally must distribute for charitable purposes 5% of the average market value of its investment assets. The Endowment must make additional qualifying distributions of approximately $688,000,000, before January 1, 2022, to meet the 2020 minimum distribution requirements.

3. Other Receivables
Other receivables represent the fair value of future cash flows to be received from the Endowment's split-interest agreement held by third parties. Amounts recorded are subject to subsequent changes in fair value, which are recorded in the statements of activities as other income. These changes totaled income of $265,331 and $325,704 during 2020 and 2019, respectively.

4. Fair Value of Financial Instruments
The Endowment determines fair values based on the framework for measuring fair value under ASC Topic 820, Fair Value Measurements. The following table summarizes fair value information at December 31, 2020 and 2019.

Now and for the Future 35
6. Federal Excise Taxes

On December 20, 2019, the Taxpayer Certainty and Disaster Relief Act of 2019 (the Act) was signed into law. Among other things, the Act simplified the federal excise tax rate imposed on private foundations to a flat 1.39% rate, which is effective for tax years beginning after December 20, 2019. During 2019, the Endowment was subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The Endowment’s excise tax rate was 2% for the year ended December 31, 2019. Current federal excise tax expense on realized amounts was $12,729,363 and $15,198,576 for the years ended December 31, 2020 and 2019, respectively. The Endowment made estimated excise tax payments totaling $13,700,000 and $14,100,000 during 2020 and 2019, respectively. Due to estimated tax overpayments during 2020, the Endowment recorded a receivable of $970,637 at December 31, 2020 within other assets in the statements of financial position. Due to estimated tax underpayments during 2019, the Endowment recorded a federal excise tax payable of $1,098,576 at December 31, 2019 in the statements of financial position.

The deferred tax liability relates to deferred federal excise taxes on unrealized gains of investments. The Endowment recorded an increase in the deferred tax liability of $54,669,933 for the year ended December 31, 2020 and a decrease of $58,884,715 for the year ended December 31, 2019. These changes were driven by the enactment of the Act in 2019 (establishing a fixed tax rate for future years) as well as changes in the amounts of unrealized gains on investments recorded in the statements of activities during 2020 and 2019.

The Endowment is subject to routine audits by taxing jurisdictions. The Endowment believes it is no longer subject to income tax examinations for years prior to 2017 due to three-year statute of limitations.

If incurred, any interest and penalties would be recorded as a component of federal excise tax.

### Table: Fair Value of Financial Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Observable Inputs (Level 2)</th>
<th>Unobservable Inputs (Level 3)</th>
<th>Fair Value (Carrying Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$122,056,668</td>
<td>$122,074,241</td>
<td>$</td>
<td>$</td>
<td>$122,074,241</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>1,191,374,044</td>
<td>20,613,820,652</td>
<td>–</td>
<td>–</td>
<td>20,613,820,652</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,509,333,994</td>
<td>20,735,894,893</td>
<td>195,544,772</td>
<td>–</td>
<td>20,931,439,665</td>
</tr>
<tr>
<td></td>
<td>$1,509,333,994</td>
<td>$20,735,894,893</td>
<td>$195,544,772</td>
<td>$4,229,536</td>
<td>$20,931,439,665</td>
</tr>
<tr>
<td><strong>December 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$87,941,516</td>
<td>$88,024,720</td>
<td>$</td>
<td>$</td>
<td>$88,024,720</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>248,080,064</td>
<td>–</td>
<td>249,050,902</td>
<td>–</td>
<td>249,050,902</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>1,121,337,077</td>
<td>16,621,252,729</td>
<td>–</td>
<td>–</td>
<td>16,621,252,729</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,457,358,657</td>
<td>16,709,277,449</td>
<td>249,050,902</td>
<td>–</td>
<td>16,958,328,351</td>
</tr>
<tr>
<td></td>
<td>$1,457,358,657</td>
<td>$16,709,277,449</td>
<td>$249,050,902</td>
<td>$4,531,089</td>
<td>$16,958,328,351</td>
</tr>
</tbody>
</table>

Transfers between levels, if any, are recorded at the beginning of the reporting period. There were no transfers between Levels 1, 2, and 3 during the years ended December 31, 2020 and 2019.

The fair value for marketable securities is determined based on the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented (Level 1).

Fixed income securities are not based on quoted prices in active markets (Level 2). The fair value is determined by pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Fair values for these fixed income securities are obtained primarily from third-party pricing services.

Other receivables, which is a split-interest agreement, are valued using significant unobservable inputs (Level 3). The need to use unobservable inputs generally results from the lack of an active market or marketplace with respect to the split-interest agreement. The split-interest agreement is recorded at the estimated fair value based on the present value of the Endowment’s future cash flows from the related trust. Future cash flows are based on an income approach (present value techniques), the inputs of which include the fair value of the underlying trust assets, the Endowment’s interest percentage in the split-interest agreement, annuity percentage per the split interest agreement, estimated rate of return and discount rate.

5. Liquidity and Availability

None of the financial assets as listed on the statements of financial position, with the exception of other receivables, is subject to donor restrictions, board designations, or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As part of the Endowment’s liquidity management, the Endowment has policies to structure its financial assets to be available for its general expenditures (grant making activities and other expenses). The Endowment uses dividends, interest and sales of investments to cover these expenditures.