Ernst & Young LLP
111 Monument Circle
Suite 4000
Indianapolis, IN 46204

Tel: +1 317 681 7000
ey.com

Report of Independent Auditors

The Board of Directors
Lilly Endowment Inc.

Opinion

We have audited the financial statements of Lilly Endowment Inc. (the Endowment), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lilly Endowment Inc. at December 31, 2021 and 2020, and the changes in its net assets and its cash flows 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Endowment 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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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.

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, 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.

- 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 Endowment'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.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment's 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.

Ernst + Young LLP

March 17, 2022

Statements of Financial Position

As of December 31	2021	2020
Assets		
Cash and cash equivalents	$ 108,825,237	$ 192,712,931
Investments—at fair value:		
United States government and agency, bank, and corporate interest-bearing obligations	744,666,483	195,544,772
Eli Lilly and Company common stock (cost – $80,839,116 at December 31, 2021 and $81,354,048 at December 31, 2020)	29,683,653,598	18,763,584,792
Diversified equity investments	2,222,105,020	1,850,235,860
Other assets	5,175,612	5,200,173
	$ 32,764,425,950	$ 21,007,278,528
Liabilities		
Grants payable	$ 69,687,192	$ 162,920,466
Federal excise tax payable	860,582	-
Deferred tax liability	421,822,284	266,072,722
	492,370,058	428,993,188
Net assets without donor restrictions	32,272,055,892	20,578,285,340
	$ 32,764,425,950	$ 21,007,278,528

See accompanying notes.

Statements of Activities

Year Ended December 31	2021	2020
Income:		
Dividends	$ 411,369,784	$ 366,486,858
Interest	781,152	6,943,653
Total income	412,150,936	373,430,511
Expenses:		
Program grants approved	634,090,296	847,439,861
Program support	10,612,319	10,019,036
Operational support	6,976,895	6,564,437
Current federal excise tax	18,246,582	12,729,363
Deferred federal excise tax	155,749,562	54,669,933
Total expenses	825,675,654	931,422,630
Investment return and other income:		
Realized gain on sale of investments	913,013,246	554,050,020
Unrealized gain on investments	11,193,959,526	3,921,201,608
Other income	322,498	265,331
Total investment return and other income	12,107,295,270	4,475,516,959
Increase in net assets without donor restrictions	11,693,770,552	3,917,524,840
Net assets without donor restrictions:		
Balance at beginning of year	20,578,285,340	16,660,760,500
Balance at end of year	$ 32,272,055,892	$ 20,578,285,340

See accompanying notes.

Statements of Cash Flows

Year Ended December 31	2021	2020
Operating activities		
Increase in net assets	$ 11,693,770,552	$ 3,917,524,840
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Investment expenses	426,739	413,239
Unrealized gain on investments	(11,193,959,526)	(3,921,201,608)
Realized gain on sale of investments	(913,013,246)	(554,050,020)
Changes in assets and liabilities:		
Other assets	24,561	(582,637)
Grants payable	(93,233,274)	58,365,558
Federal excise tax payable	860,582	(1,098,576)
Deferred tax liability	155,749,562	54,669,933
Net cash used in operating activities	(349,374,050)	(445,959,271)
Investing activities		
Purchases of investments	(1,478,957,356)	(604,067,812)
Proceeds from sale and maturity of investments	1,744,870,451	1,140,257,647
Investment expenses	(426,739)	(413,239)
Net cash provided by investing activities	265,486,356	535,776,596
Net increase (decrease) in cash and cash equivalents	(83,887,694)	89,817,325
Cash and cash equivalents at beginning of year	192,712,931	102,895,606
Cash and cash equivalents at end of year	$ 108,825,237	$ 192,712,931

See accompanying notes.

Notes to Financial Statements

December 31, 2021

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 17, 2022, 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 fair value. 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 2021 and 2020 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, 2021, are expected to be paid to grantees as follows: $58,159,567 in 2022, $10,627,625 in 2023 and $900,000 in 2024.

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 $1,158,000,000, before January 1, 2023, to meet the 2021 minimum distribution requirements.

3. 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, 2021 and 2020.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value (Carrying Value)
December 31, 2021				
Cash equivalents	$ 79,984,575	$ –	$ –	$ 79,984,575
Fixed income securities	–	744,666,483	–	744,666,483
Marketable securities	31,905,758,618	–	–	31,905,758,618
	31,985,743,193	744,666,483	–	32,730,409,676
Other assets	–	–	3,995,187	3,995,187
	$ 31,985,743,193	$ 744,666,483	$ 3,995,187	$ 32,734,404,863
December 31, 2020				
Cash equivalents	$ 122,074,241	$ –	$ –	$ 122,074,241
Fixed income securities	–	195,544,772	–	195,544,772
Marketable securities	20,613,820,652	–	–	20,613,820,652
	20,735,894,893	195,544,772	–	20,931,439,665
Other assets	–	–	4,229,536	4,229,536
	$ 20,735,894,893	$ 195,544,772	$ 4,229,536	$ 20,935,669,201

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, 2021 and 2020.

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 assets include a split-interest agreement 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.

4. Liquidity and Availability

None of the financial assets as listed on the statements of financial position 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.

5. Federal Excise Taxes

During 2021 and 2020, the Endowment was subject to federal excise taxes imposed on private foundations at 1.39%. 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. Current federal excise tax expense on realized amounts was $18,246,582 and $12,729,363 for the years ended December 31, 2021 and 2020, respectively. The Endowment made estimated excise tax payments totaling $17,386,000 and $13,700,000 during 2021 and 2020, respectively. Due to estimated tax underpayments during 2021, the Endowment recorded a federal excise tax payable of $860,582 at December 31, 2021, in the statements of financial position. 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.

The deferred tax liability relates to deferred federal excise taxes on unrealized gains of investments.

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 2018 due to three-year statute of limitations.

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