

**SOUTH DAKOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT  
JANUARY 31, 2019**



**thurman,  
comes,  
foley  
& co., llp**

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certified public accountants  
and consultants

**SOUTH DAKOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

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## **INDEPENDENT AUDITORS' REPORT**

Synod Council and Executive Committee  
South Dakota Synod Evangelical Lutheran Church in America  
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the **SOUTH DAKOTA SYNOD, EVANGELICAL LUTHERAN CHURCH IN AMERICA** (a South Dakota nonprofit organization) which comprise the statement of assets, liabilities, and net assets – modified cash basis as of January 31, 2019 and the related statements of support, revenue and expense-modified cash basis, and cash flows-modified cash basis for the year 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 accordance with the modified cash basis as described in Note 1; this includes determining that the modified cash basis accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of American. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 assets, liabilities, and net assets of the South Dakota Synod, Evangelical Lutheran Church in America as of January 31, 2019, and the related statements of support, revenues, and expenses, and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1(c) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Emphasis of Matters**

As discussed in note 1(j) to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 14-19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Thurman Comey Foley & Co LLP*

Sioux Falls, South Dakota  
May 10, 2019

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

JANUARY 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents			
Interest bearing	\$ 1,049,942	\$ 394,836	\$ 1,444,778
ELCA investment certificates	294,651	135,000	429,651
Equity securities	-	5,287,402	5,287,402
Debt securities	-	1,184,084	1,184,084
Cash surrender value annuity		72,508	72,508
Accrued income	1,589	-	1,589
Property and equipment			
Building and improvements	1,394,522	-	1,394,522
Furniture and equipment	245,441	-	245,441
Less-accumulated depreciation	(871,394)	-	(871,394)
Notes receivable	293,857	-	293,857
Real estate	-	1,754,608	1,754,608
Due (to) from	<u>(943,778)</u>	<u>943,778</u>	<u>-</u>
 Total assets	 <u>\$ 1,464,830</u>	 <u>\$ 9,772,216</u>	 <u>\$ 11,237,046</u>
<b>LIABILITIES AND NET ASSETS</b>			
Line of credit	\$ 297,766	\$ -	\$ 297,766
Notes payable	14,285	-	14,285
Accrued liabilities	85	-	85
Deferred income	<u>53,214</u>	<u>-</u>	<u>53,214</u>
 Total liabilities	 365,350	 -	 365,350
Net assets			
Without donor restrictions	1,099,480	-	1,099,480
With donor restrictions	<u>-</u>	<u>9,772,216</u>	<u>9,772,216</u>
 Total net assets	 <u>1,099,480</u>	 <u>9,772,216</u>	 <u>10,871,696</u>
 Total liabilities and net assets	 <u>\$ 1,464,830</u>	 <u>\$ 9,772,216</u>	 <u>\$ 11,237,046</u>

See accompanying notes.

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF SUPPORT, REVENUE AND EXPENSE - MODIFIED CASH BASIS

## FOR THE YEAR ENDED JANUARY 31, 2019

	Annual <u>Budget</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Revenues, Gifts and Other Support</b>				
<b>Contributions</b>				
Congregational Benevolence	\$ 1,772,031	\$ 1,781,488	\$ -	\$ 1,781,488
Gifts Without Donor Restrictions	-	159,953	-	159,953
Gifts With Donor Restrictions	-	-	1,709,350	1,709,350
<b>Investment Income</b>	7,500	7,360	235,722	243,082
<b>Net Realized Loss in Securities</b>	-	-	(20,352)	(20,352)
<b>Net Unrealized Loss in Securities</b>	-	-	(490,129)	(490,129)
<b>SD Synod Mission Support</b>	40,119	36,844	-	36,844
<b>SDS Travel LLC Income</b>	12,472	10,782	-	10,782
<b>SDS Transportation</b>	25,000	15,516	-	15,516
<b>Pine Ridge Ministry</b>	45,000	45,000	-	45,000
<b>DEM Support Staff</b>	10,000	10,000	-	10,000
<b>Other</b>	503	3,007	82,017	85,024
<b>Net assets released from restrictions</b>	-	2,012,811	(2,012,811)	-
Total Revenues, Gifts and Other Support	1,912,625	4,082,761	(496,203)	3,586,558
<b>Expenses</b>				
Synod Administration	573,465	580,516	-	580,516
Synod Programs	15,450	10,220	-	10,220
Synod Supported Ministries	260,008	259,163	-	259,163
Synod Sustained Ministries	136,378	132,171	-	132,171
Outreach Ministries	19,500	19,000	-	19,000
Region III	8,964	8,964	-	8,964
ELCA Ministries	797,414	801,670	-	801,670
Native American Ministries	73,058	76,244	-	76,244
Synod Youth Ministry	15,377	14,836	-	14,836
Companion Synod Coordinator	11,680	10,430	-	10,430
Contingency	1,331	-	-	-
Depreciation:				
Furniture and Equipment	-	22,052	-	22,052
Building	-	34,352	-	34,352
Other Distributions	-	136,629	-	136,629
Programs	-	2,012,811	-	2,012,811
Loss on Disposal	-	4,641	-	4,641
Total Expenses	1,912,625	4,123,699	-	4,123,699
<b>Net Increase (Decrease) in Net Assets</b>	-	(40,938)	(496,203)	(537,141)
<b>Net Assets, Beginning of Year</b>		1,140,418	10,268,419	11,408,837
<b>Net Assets, End of Year</b>		\$ 1,099,480	\$ 9,772,216	\$ 10,871,696

See accompanying notes.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**JANUARY 31, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>			
Change in net assets	\$ (40,938)	\$ (496,203)	\$ (537,141)
Adjustments to reconcile to net cash used by operating activities:			
Depreciation	56,404	-	56,404
Net realized loss	-	20,352	20,352
Net unrealized loss	-	490,129	490,129
Earnings reinvested	(1,063)	(241,252)	(242,315)
Loss on disposition	4,641	-	4,641
Changes in operating assets and liabilities:			
Accrued income	(855)	-	(855)
Accrued liabilities	(1)	-	(1)
Other	(246,944)	246,944	-
Deferred income	19,008	-	19,008
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used) provided by operating activities	(209,748)	19,970	(189,778)
<b>Cash Flows from Investment Activities</b>			
Property and equipment purchases	(36,743)	-	(36,743)
Net investment purchases/maturities	-	(19,541)	(19,541)
Sales proceeds	5,250	-	5,250
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used) by investment activities	(31,493)	(19,541)	(51,034)
<b>Cash Flows from Financing Activities</b>			
Receipts on long term borrowings	108,600	-	108,600
Payments on long term borrowings	(102,580)	-	(102,580)
Note receivable advances	(120,430)	-	(120,430)
Note receivable receipts	110,258	-	110,258
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used) by financing activities	(4,152)	-	(4,152)
	<u>          </u>	<u>          </u>	<u>          </u>
Net change in cash	(245,393)	429	(244,964)
<b>Cash, Beginning of year</b>	<u>1,295,335</u>	<u>394,407</u>	<u>1,689,742</u>
<b>Cash, End of year</b>	<u>\$ 1,049,942</u>	<u>\$ 394,836</u>	<u>\$ 1,444,778</u>

See accompanying notes.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Date of Management's review**

Management has evaluated subsequent events through May 10, 2019, the date which the financial statements were available to be issued.

**b. Nature of Activities**

The South Dakota Synod – ELCA was organized for the purpose of providing oversight and support to the Evangelical Lutheran Church congregations and organizations in South Dakota. The Synod is a member of the Evangelical Lutheran Church in America and is supported primarily through donations from member congregations and individual donors.

**c. Basis of Presentation**

The financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, most revenue and the related assets are recognized when received rather than when earned, and most expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized receivables from donors, accounts payable to vendors, deferred revenue, or accrued expenses and their related effects on the change in net assets in the accompanying financial statements.

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets without donor restrictions are resources available to support operations which the Synod Council has discretionary control. The Council may designate assets without restrictions for specific operational purposes from time to time. Quasi-endowment designation of net assets are contributions to the Organization for which the donor has not specified a particular purpose and the Council has designated to be placed in the Endowment.
- **Net Assets With Donor Restrictions** – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

**d. Property and Equipment**

All fixed assets are recorded at cost with the exception of contributed fixed assets, which are recorded at fair value.



**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Property and Equipment (Continued)**

It is the policy of the Organization to provide depreciation based on the estimated useful life of the individual items. Depreciation methods and estimated useful lives are as follows:

	<u>Method</u>	<u>Estimated Useful Lives</u>
Building and improvements	Straight-line	40 years
Furniture and equipment	Straight-line	5-10 years

**e. Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles-modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

**f. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

**g. Restricted Cash**

Restricted cash consists of funds held in a separate bank account for endowment funds with donor restrictions.

The Organization has adopted the accounting guidance in FASB Account Standards Update (ASU) N. 2016-18, *Restricted Cash (Topic 230): Statement of Cash Flows*. ASU 2016-18 requires organizations to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash should be included with cash when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2018 and has been retrospectively applied. The Organization has early adopted this standard, as permitted.

**h. Concentration of Credit Risk**

The Organization maintains its cash balances at several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization maintains cash balances in excess of this limit. The Organization had a credit risk concentration as a result of \$701,327 of funds in excess of insurance limits in a single bank as of January 31, 2019.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. Income Taxes**

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization has evaluated the compliance rules of this Code Section and has determined that they continue to maintain this favorable tax position.

**j. Fair Value Measurements**

As outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* (ASC) 820, fair value is 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. ASC 820 establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,
- Level 3 – Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

**k. Change in Accounting Principle**

In 2018, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k. Change in Accounting Principle (Continued)**

The changes have the following effect on net assets at January 31, 2018:

	As Originally <u>Presented</u>	After Adoption of <u>ASU 2016-14</u>
Unrestricted Net Assets:		
Undesignated	\$ 189,779	\$ -
Board designated	170,685	-
Property and equipment	779,954	-
Temporarily Restricted	1,190,722	-
Permanently Restricted		
Quasi-endowment	33,872	-
Restricted endowment	9,043,825	-
Net Assets Without Donor Restrictions	-	1,140,418
Net Assets With Donor Restrictions	-	<u>10,268,419</u>
Total	<u>\$ 11,408,837</u>	<u>\$ 11,408,837</u>

**l. Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. This ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact, if any, it may have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact, if any, it may have on its financial statements.

**2. ENDOWMENTS**

The Organization's endowment consists of thirteen funds established by donors. The donor-restricted funds are expected to operate in perpetuity. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**2. ENDOWMENTS (CONTINUED)**

The Organization is subject to the South Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an Organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as quasi-endowments (term endowments) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

From time to time, the fair value of endowment funds associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration, (i.e. underwater endowments). Losses on permanently restricted endowment investments are first used to reduce previous investment income and gains which have not been expended. Any additional losses are shown as a reduction in net assets without donor restrictions. As of January 31, 2019, no such reduction in net assets without donor restrictions was necessary.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of 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 the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted an investment objective to provide sufficient income to fund mission and ministry programs as established by individual donors or by the Organization; to provide income for such purposes as the Organization may require; to provide for growth of the principal to offset inflation; and to allow for increasing level of distributions in the future.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**2. ENDOWMENTS (CONTINUED)**

UPMIFA permits the prudent expenditure of donor restricted endowment funds. The Organization has approved a distribution policy for a fixed percentage of the endowment fund's market value annually. The fixed percentage for distribution shall be reviewed and established each year, not to exceed the average realized return of the endowment fund for the preceding three fiscal years minus a factor representing the inflation experienced during the preceding year. The amount distributed shall be determined by multiplying the approved percentage by the previous twelve quarters rolling average of the market value of the fund assets.

Changes in endowment net assets for the year ended January 31, 2019 are as follows:

Endowment net assets, January 31, 2018	\$ 9,077,697
Contributions	306,653
Investment Income, net of investment expenses	317,739
Realized and unrealized losses	(510,481)
Amount appropriated for expenditures	<u>(363,170)</u>
Endowment net assets, January 31, 2019	\$ <u>8,828,438</u>

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of January 31, 2109 are as follows:

Financial Assets:	
Cash and Cash Equivalents	\$ 1,444,778
ELCA investment certificates	429,651
Equity securities	5,287,402
Debt securities	1,184,084
Cash surrender value annuity	72,508
Real Estate investment	1,754,608
Note Receivable	293,857
Accrued income	<u>1,589</u>
Total Financial Assets	<u>10,468,477</u>
Less Financial Assets Held to Meet Donor Restrictions:	
Purpose Restricted-Net Assets	943,778
Donor-restricted Quasi-Endowment Funds	18,364
Donor-restricted Endowment Funds	<u>8,810,074</u>
Financial Assets Held to Meet Donor Restrictions	<u>9,772,216</u>
Less Financial Assets not Available within One Year:	
Board Designated Net Assets	<u>194,009</u>
Amounts Available for General Expenditure within One Year	\$ <u>502,252</u>

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)**

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside in endowment.

The board-designated funds are shown above as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Council could appropriate resources from the board-designated funds.

The Organization has a liquidity management policy to structure its financial assets to be available for its general expenditures, liabilities, and as other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments.

**4. BUILDING**

Effective March 1, 2012, the Organization and Augustana University entered into a building ownership and an occupancy agreement. As a condition of ownership, the agreement stipulates that Augustana agrees to make a payment of \$200,000 to the Organization to be used to pay off remaining debt associated with the facility. An additional payment will be made from Augustana if the Organization vacates the building prior to 2034. The occupancy agreement requires the Organization to pay a monthly occupancy fee of \$2,275. The Organization may vacate the premises in their sole discretion.

**5. NOTES RECEIVABLE**

Notes receivable are comprised of promissory notes originated by the Organization with eligible pastors serving the South Dakota Synod of the ELCA. The notes are originated with eligible pastors at a zero percent interest rate in exchange for providing pastoral care to member congregations of the Organization and maintaining a term life insurance policy during repayment period. The zero percent interest notes are originated as part of the Organization's program to assist pastors by decreasing the financial impact of repaying seminary student loans. The program allows eligible pastors to refinance their original seminary loans with a higher interest rate to a loan at a zero rate of interest.

**6. FINANCING ARRANGEMENTS**

Line of Credit

The Organization has entered into a revolving line of credit agreement with First Premier Bank that allows the Organization to borrow up to \$500,000 of which \$297,765 was outstanding as of January 31, 2019. The line of credit matures on December 20, 2026, with interest paid periodically at a variable interest rate of 5.5% as of January 31, 2019, secured by real estate.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**

**6. FINANCING ARRANGEMENTS (CONTINUED)**

Notes Payable

Note payable to BMO-Harris Bank, due in 72 monthly installments of \$619, including interest at 2.99%, secured by a vehicle	\$ 12,073
Note payable to GM Financial, due in 72 monthly installments of \$633, including interest at 8.99%, secured by a vehicle	<u>2,212</u>
Total Notes Payable	<u>\$ 14,285</u>

Principal payment requirements to be made in subsequent years are summarized as follows:

year ending January 31, 2020	\$ 7,477
2021	5,426
2022	<u>1,382</u>
	<u>\$ 14,285</u>

**7. PENSION PLAN**

The Organization participates in the pension plan sponsored by the Evangelical Lutheran Church in America which covers religious and lay personnel. Total pension plan expense was \$56,427.

**8. NET ASSETS – WITH DONOR RESTRICTION**

Net Assets with Donor Restrictions consist of the following:

Purpose Restrictions – see Supplemental Schedule on page 18 for specific programs	\$ 943,778
Donor Restricted Quasi-Endowment Funds	18,364
Donor Restricted Endowment Funds	<u>8,810,074</u>
Total Net Assets With Donor Restrictions	<u>\$ 9,772,216</u>

Net assets with donor restrictions released from restriction were \$2,012,811. Net assets with donor restrictions were released from restriction due to satisfaction of restrictions.

**SOUTH DAKOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS**

**9. BOARD DESIGNATED NET ASSETS**

The board designated net assets are comprised of the following:

Without donor restrictions:

See Supplemental Schedule on page 17  
for respective allocations of restrictions

\$ 194,009

**10. FUNCTIONAL EXPENSES**

Functional expenses at January 31, 2019 were as follows;

Program Services	\$ 3,923,811
Management and General	184,778
Fundraising	<u>15,110</u>
Total	\$ <u>4,123,699</u>

The cost of providing the Organization's programs and other activities are summarized above. Expenses that can be identified with a specific program or support service are charged directly to the program or support service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.



## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF OPERATIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEAR ENDED JANUARY 31, 2019

	Annual <u>Budget</u>	<u>FY 2019</u>
<b>Synod Administration</b>		
Bishop Salary	\$ 55,020	\$ 55,020
Bishop Housing	55,000	55,000
Bishop Pension	43,130	41,085
Associate/Director Evangelical Mission Salary	12,872	12,872
Associate Mobility/Candidacy Salary	86,424	86,424
Associate Mobility/Candidacy Social Security	6,611	6,398
Associate Mobility/Candidacy Pension	25,095	25,046
Exec Staff Continuing Education	3,800	3,404
Exec Staff Travel	15,000	18,001
SDS Transportation Travel	41,000	79,548
Contra-Auto Loans	(6,095)	(38,882)
Exec Staff Professional Expenses	1,250	1,244
Staff Salaries	116,345	116,042
Staff Pensions	37,362	37,297
Staff Continuing Education	1,350	-
Employer Social Security	8,901	8,206
Utilities, Cleaning, Etc. Reimbursed to Augustana	26,532	26,916
Supplies	14,250	15,394
Printing	1,000	2,304
Postage	4,000	3,182
Telephone	7,000	5,646
Equipment Maintenance/Rent	5,665	5,690
Insurance	19,938	20,131
Auditing	8,191	8,191
Hospitality	3,500	3,288
Synod Council Travel	2,500	2,121
Synod Council Hospitality	2,000	5,118
Other	325	331
Lutherans Outdoors Offset	<u>(24,501)</u>	<u>(24,501)</u>
Total Synod Administration	\$ 573,465	\$ 580,516
<b>Synod Programs</b>		
Resource Center	\$ 250	\$ 53
Support to Ministries Travel	1,500	1,074
Support to Ministries Hospitality	1,000	650
Support to Ministries Program	100	20
Candidacy Travel	1,500	1,085
Candidacy Hospitality	2,500	1,977
Candidacy Programs	500	(1,865)
Electronic Communications	1,650	1,743

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF OPERATIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEAR ENDED JANUARY 31, 2019

	<u>Annual Budget</u>	<u>FY 2019</u>
<b>Synod Programs (Continued)</b>		
Evangelical Outreach	1,500	1,507
Companion Synods Ministry	500	-
Stewardship Projects	500	500
Continuing Education Projects	250	-
Multi-Cultural Ministry Committee	1,700	1,476
Mission Table Strategy	2,000	2,000
Total Synod Programs	<u>\$ 15,450</u>	<u>\$ 10,220</u>
<b>Synod Supported Ministries</b>		
SD Ministries Support	\$ 18,054	\$ 16,580
Luther Seminary	71,217	71,461
Church Colleges	6,161	6,182
Lutheran Social Services	71,217	71,460
Lutherans Outdoors	35,518	35,639
Good Samaritan Society	1	1
Chapel in the Hills	1	1
Lutheran Planned Giving	57,839	57,839
Total Synod Supported Ministries	<u>\$ 260,008</u>	<u>\$ 259,163</u>
<b>Synod Sustained Ministries</b>		
Campus Ministry	\$ 125,582	\$ 126,010
Heartland Ephphatha	6,161	6,161
Lutheran Youth Organization	3,605	-
Campus Capital	1,030	-
Total Synod Sustained Ministries	<u>\$ 136,378</u>	<u>\$ 132,171</u>
<b>Outreach Ministries</b>		
Mission Congregation Startup	\$ 4,000	\$ 4,000
Companion Synod	500	-
Multicultural Center	15,000	15,000
Total Outreach Ministries	<u>\$ 19,500</u>	<u>\$ 19,000</u>
<b>Region III</b>	\$ 8,964	\$ 8,964
<b>ELCA Ministries</b>	\$ 797,414	\$ 801,670

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF OPERATIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEAR ENDED JANUARY 31, 2019

	Annual <u>Budget</u>	<u>FY 2019</u>
<b>Native American Ministries</b>		
Salary	\$ 41,437	\$ 41,437
Housing	2,500	2,500
Pension	18,900	18,867
Employer Social Security	3,361	2,951
Travel	6,060	9,789
Continuing Education	800	700
Total Native American Ministries	<u>\$ 73,058</u>	<u>\$ 76,244</u>
<b>Synod Youth Ministry Coordinator</b>		
Salary	\$ 13,541	\$ 13,541
Employer Social Security	1,036	1,036
Travel	500	174
Continuing Education	300	85
Total Synod Youth Ministry Coordinator	<u>\$ 15,377</u>	<u>\$ 14,836</u>
<b>Companion Synod Coordinator</b>		
Salary	\$ 9,689	\$ 9,689
Employer Social Security	741	741
Travel	1,250	-
Total Companion Synod Coordinator	<u>\$ 11,680</u>	<u>\$ 10,430</u>
<b>Contingency</b>	\$ 1,331	\$ -
<b>Depreciation:</b>		
Furniture and Equipment	\$ -	\$ 22,052
Building	-	34,352
Total Depreciation	<u>\$ -</u>	<u>\$ 56,404</u>
<b>Other Program Distributions</b>	\$ -	\$ 136,629
<b>Endowment Programs</b>	\$ -	\$ 2,012,811
<b>Loss on Disposal</b>	\$ -	\$ 4,641
<b>Total Functional Expenses</b>	<u><u>\$ 1,912,625</u></u>	<u><u>\$ 4,123,699</u></u>

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

JANUARY 31, 2019

	Balance <u>1/31/2018</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2019</u>
<b>Without Donor Restrictions</b>					
Occupancy Upkeep & Repairs	\$ 16,385	\$ -	\$ -	\$ -	\$ 16,385
Office Equipment	5,812	-	1,019	-	4,793
Bishop Election/Transition	105,004	470	470	33,522	138,526
Stewardship Projects	11,538	34,430	45,811	-	157
Continuing Education Events	9,789	18,979	14,919	-	13,849
Fall Theological Conference	6,878	9,410	5,285	-	11,003
Youth Certification School	1,070	-	1,070	-	-
First Call Retreat Program	400	-	-	-	400
Stewardship The Call	750	-	-	-	750
LYO Synod Gathering	360	-	360	-	-
Synod Assembly Fund	11,197	63,142	34,173	(33,522)	6,644
Multi-Cultural Ministry	1,502	-	-	-	1,502
<b>Total Without Donor Restrictions</b>	<u>\$ 170,685</u>	<u>\$ 126,431</u>	<u>\$ 103,107</u>	<u>\$ -</u>	<u>\$ 194,009</u>

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

JANUARY 31, 2019

	Balance 1/31/2018	Gifts Received	Expenditures	Transfers	Balance 1/31/2019
<b>With Donor Restrictions</b>					
Pine Ridge/Lutheran Lakota Ministry	\$ 51,639	\$ 52,013	\$ 45,479	\$ (50,836) <b>3</b>	7,337
Lutheran Lakota Job Corp	3,460	37,227	88,233	50,836 <b>3</b>	3,290
Pine Ridge Youth Position	-	61,515	20,928	-	40,587
Heartland Ephphatha	9,953	47,214	34,877	-	22,290
Youth Ministry	11,726	12,275	14,940	-	9,061
Campus Min Capital Reserves	4,080	-	-	-	4,080
Woyatan Multicultural	25,324	7,473	21,565	-	11,232
SDS Transportation	6,320	-	5,620	-	700
First Lutheran African Ministry	1,285	8,224	31,914	-	(22,405)
Answer The Call - WELCA	-	4,004	2,342	-	1,662
Table of Grace	8,890	49,045	58,196	-	(261)
Intentional Christian Community - Rosebur	14,969	3,000	-	-	17,969
Marty's Mug	116	1,576	346	-	1,346
Spring Theological Conference	19,026	6,690	5,384	-	20,332
SD Ministries Support	-	16,580	16,580	-	-
Golf/Blast	-	41,644	41,644	-	-
Reformation 500	9,779	230	10,009	-	-
Partners Against Hunger	2,224	21	1,280	-	965
Seminary Debt Reduction Fund	12,614	135,526	162,659	30,931 <b>2</b>	16,412
Seminary Scholarship Fund	56,387	90,664	60,870	-	86,181
CIS/NIS	9,477	84,962	83,596	-	10,843
Native American Sem Scholarship	1,533	-	-	-	1,533
C Engen Seminary Scholarship	11,300	73,619	84,919	-	-
Synod Assembly Offering	-	8,069	8,069	-	-
Endowment Distributions	19,686	56,460	20,135	-	56,011
Monthly Pass-Through	500	90,928	90,928	-	500
Portico Wellness Reward	3,722	9,262	805	-	12,179
Pueblo de Dios	3,240	69,446	60,602	-	12,084
Faith Family Style	9,586	-	9,586	-	-
SF Area Ministry Strategy	8,368	21,170	277	-	29,261

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

JANUARY 31, 2019

	Balance 1/31/18	Gifts Received	Expenditures	Transfers	Balance 1/31/2019
<b>With Donor Restricted (Continued)</b>					
Select Learning	12,946	51,897	51,280	-	13,563
Book Of Faith Initiative	741	-	-	(741) 4	-
Seminary Resource Recruiter	149,985	52,334	42,376	-	159,943
Peace Fund/Good Samaritan Fund	16,635	11,985	10,000	-	18,620
Bishops Discretionary Fund	6,092	5,321	4,934	-	6,479
Exec Staff Cont Education	9,096	-	571	-	8,525
Cameroon Projects	22,657	27,617	30,995	-	19,279
Nicaragua Projects	12,480	32,814	31,653	-	13,641
Comp Synods-Traveling To	307	-	-	-	307
Comp Synods-Traveling From	28	-	-	-	28
Train Up A Child	1,581	5,937	4,297	-	3,221
Cameroon Roofs	1,931	16,723	15,126	-	3,528
Nicaragua Missionary IFLE	4,226	9,470	5,653	-	8,043
Listen, God is Calling (Donations)	2,176,328	351,907	1,003	-	2,527,232
Listen, God is Calling (Expenses)	(406,916)	(391)	24,385	-	(431,692)
Allocation of Cash Gifts	(1,501,000)	-	-	(381,000) 5	(1,882,000)
Lifelong Academy	42,401	4,719	18,662	18,000 5 741 4	47,199
Rostered Leader Recruitment	-	4,632	39,632	35,000 5	-
Seminary Debt Reduction	-	4,632	8,701	35,000 5 (30,931) 2	-
Endowment - Support Initiative	-	-	175,000	175,000 5	-
Woyatan Capital Improvement	192,000	4,631	257,752	62,000 5	879
New & Renewing Congregations	63,000	4,632	1,838	18,000 5	83,794
Support ELCA Appeal	54,000	-	79,000	25,000 5	-
Support Luther Seminary	27,000	-	40,000	13,000 5	-
<b>Total With Donor Restrictions</b>	<b>\$ 1,190,722</b>	<b>\$ 1,577,697</b>	<b>\$ 1,824,641</b>	<b>\$ -</b>	<b>\$ 943,778</b>