

**SOUTH DAKOTA SYNOD  
EVANGELICAL LUTHERAN CHURCH IN AMERICA  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT  
JANUARY 31, 2011**

**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 statement of financial position – modified cash basis of the **SOUTH DAKOTA SYNOD, EVANGELICAL LUTHERAN CHURCH IN AMERICA** (a South Dakota nonprofit organization) as of January 31, 2011 and the related statements of activities and changes in net assets – modified cash basis, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Synod, Evangelical Lutheran Church in America as of January 31, 2011, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Sioux Falls, South Dakota

April 21, 2011

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS

JANUARY 31, 2011

	<u>General</u>	<u>Property and Equipment</u>	<u>Endowment</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents				
Interest bearing	\$ 369,428	\$ -	\$ 215,337	\$ 584,765
ELCA investment certificates	276,443	-	100,000	376,443
Equity securities	-	-	1,329,240	1,329,240
Debt securities	-	-	489,434	489,434
Cash surrender value insurance	-	-	165,976	165,976
Accrued income	2,193	-	-	2,193
Property and equipment				
Building and improvements	-	1,394,522	-	1,394,522
Furniture and equipment	-	193,611	-	193,611
Less-accumulated depreciation	-	(560,525)	-	(560,525)
Interfund balances	<u>(66,155)</u>	<u>-</u>	<u>66,155</u>	<u>-</u>
 Total assets	 <u>\$ 581,909</u>	 <u>\$ 1,027,608</u>	 <u>\$ 2,366,142</u>	 <u>\$ 3,975,659</u>
 <b>LIABILITIES AND NET ASSETS</b>				
Notes payable	\$ -	\$ 236,605	\$ -	\$ 236,605
Accrued liabilities	618	-	-	618
Deferred Income	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
 Total liabilities	 15,618	 236,605	 -	 252,223
Net assets				
Unrestricted				
Undesignated	111,072	-	-	111,072
Board designated	91,328	-	-	91,328
Temporarily restricted	363,891	-	-	363,891
Property and equipment	-	791,003	-	791,003
Permanently restricted				
Quasi-endowment	-	-	123,617	123,617
Restricted-endowment	<u>-</u>	<u>-</u>	<u>2,242,525</u>	<u>2,242,525</u>
 Total net assets	 <u>566,291</u>	 <u>791,003</u>	 <u>2,366,142</u>	 <u>3,723,436</u>
 Total liabilities and net assets	 <u>\$ 581,909</u>	 <u>\$ 1,027,608</u>	 <u>\$ 2,366,142</u>	 <u>\$ 3,975,659</u>

See accompanying notes.

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED JANUARY 31, 2011

	<u>Annual Budget</u>	<u>Unrestricted</u>
<b>Revenues, Gifts and Other Support</b>		
<b>Contributions</b>		
Congregational Benevolence	\$ 1,691,658	\$ 1,574,733
Designated Gifts	-	-
Restricted Gifts	-	-
<b>Investment Income</b>	13,500	12,580
<b>Net Realized Loss on Investment Dispositions</b>	-	-
<b>Net Unrealized Gain in Securities</b>	-	-
<b>SD Synod Mission Support</b>	138,877	157,123
<b>Faith Family Style Income</b>	-	4,268
<b>SDS Travel LLC Income</b>	5,000	4,278
<b>SDS Transportation</b>	25,000	10,550
<b>Pine Ridge Ministry</b>	45,001	42,900
<b>Woyatan</b>	27,896	30,000
<b>DEM Support Staff</b>	15,000	15,000
<b>Donated Items</b>	-	4,930
<b>Other</b>	100	43
Total Revenues, Gifts and Other Support	<u>1,962,032</u>	<u>1,856,405</u>
<b>Functional Expenses</b>		
Synod Administration	580,366	536,877
Synod Programs	77,232	33,121
Synod Supported Ministries	290,411	285,159
Synod Sustained Ministries	137,715	124,407
Outreach Ministries	20,000	18,462
Region III	18,900	17,010
ELCA Ministries	727,413	677,135
Native American Ministries	68,998	67,272
Synod Youth Ministry	13,156	12,293
Development Ministries	39,537	21,153
Companion Synod Coordinator	9,647	9,647
Contingency	4,368	(15,159)
Depreciation:		
Furniture and Equipment	-	-
Building	-	-
Investment Expense	-	-
Other Distributions	-	-
Total Functional Expenses	<u>1,987,743</u>	<u>1,787,377</u>
<b>Net Increase (Decrease) in Net Assets</b>	(25,711)	69,028
<b>Transfers</b>		(44,295)
<b>Net Assets, Beginning of Year</b>		86,339
<b>Net Assets, End of Year</b>		<u>\$ 111,072</u>

See accompanying notes.

<u>Board Designated and Restricted</u>	<u>Property and Equipment</u>	<u>Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1,574,733
128,226	-	-	128,226
779,300	-	135,000	914,300
-	-	47,652	60,232
-	-	(15,864)	(15,864)
-	-	285,355	285,355
-	-	-	157,123
-	-	-	4,268
-	-	-	4,278
-	-	-	10,550
-	-	-	42,900
-	-	-	30,000
-	-	-	15,000
-	-	-	4,930
-	1,960	(3,150)	(1,147)
<u>907,526</u>	<u>1,960</u>	<u>448,993</u>	<u>3,214,884</u>
-	-	-	536,877
-	-	-	33,121
-	-	-	285,159
-	-	-	124,407
-	-	-	18,462
-	-	-	17,010
-	-	-	677,135
-	-	-	67,272
-	-	-	12,293
-	-	-	21,153
-	-	-	9,647
-	-	-	(15,159)
-	18,009	-	18,009
-	34,353	-	34,353
-	-	4,118	4,118
896,117	-	46,150	942,267
<u>896,117</u>	<u>52,362</u>	<u>50,268</u>	<u>2,786,124</u>
11,409	(50,402)	398,725	428,760
-	44,295	-	-
443,810	797,110	1,967,417	3,294,676
<u>\$ 455,219</u>	<u>\$ 791,003</u>	<u>\$ 2,366,142</u>	<u>\$ 3,723,436</u>

See accompanying notes.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JANUARY 31, 2011**

	<u>Annual Budget</u>	<u>Unrestricted</u>
<b>Synod Administration</b>		
Bishop Salary	\$ 52,998	\$ 52,998
Bishop Housing	37,629	37,625
Bishop Pension	32,709	32,577
Associate/Director Evangelical Mission Salary	9,420	9,420
Associate/Director Evangelical Mission Pension	942	958
Associate Mobility/Candidacy Salary	69,849	69,849
Associate Mobility/Candidacy Social Security	5,343	5,261
Associate Mobility/Candidacy Pension	17,294	17,250
Exec Staff Continuing Education	2,800	2,800
Exec Staff Travel	10,000	7,194
SDS Transportation Travel	39,500	29,136
DEM Travel	12,000	15,253
Mission Travel	5,700	-
Exec Staff Professional Expenses	2,500	2,500
Staff Salaries	134,428	126,400
Staff Pensions	42,025	42,026
Staff Continuing Education	960	960
Employer Social Security	10,284	9,898
Utilities, Cleaning, Etc. Reimbursed to Augustana	21,000	18,722
Supplies	12,000	11,055
Printing	5,000	4,240
Postage	6,000	5,364
Telephone	7,700	7,223
Equipment Maintenance/Rent	5,665	1,886
Insurance	11,025	9,470
Auditing	7,314	7,464
Hospitality	5,000	3,294
Synod Council Travel	7,500	3,515
Synod Council Hospitality	4,310	3,257
Mortgage Payment MIF	13,848	12,113
Lutherans Outdoors Offset	(13,377)	(13,377)
DEM Materials	1,000	546
Total Synod Administration	<u>\$ 580,366</u>	<u>\$ 536,877</u>
<b>Synod Programs</b>		
Resource Center	\$ 3,000	\$ 62
Support to Ministries Travel	5,500	769
Support to Ministries Hospitality	750	949
Support to Ministries Program	6,650	275
Candidacy Travel	9,000	191
Candidacy Hospitality	3,500	1,655
Candidacy Programs	-	(3,012)
Print Communications	5,000	49
Electronic Communications	1,500	1,566

See accompanying notes.

<u>Board Designated and Restricted</u>	<u>Property and Equipment</u>	<u>Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 52,998
-	-	-	37,625
-	-	-	32,577
-	-	-	9,420
-	-	-	958
-	-	-	69,849
-	-	-	5,261
-	-	-	17,250
-	-	-	2,800
-	-	-	7,194
-	-	-	29,136
-	-	-	15,253
-	-	-	-
-	-	-	2,500
-	-	-	126,400
-	-	-	42,026
-	-	-	960
-	-	-	9,898
-	-	-	18,722
-	-	-	11,055
-	-	-	4,240
-	-	-	5,364
-	-	-	7,223
-	-	-	1,886
-	-	-	9,470
-	-	-	7,464
-	-	-	3,294
-	-	-	3,515
-	-	-	3,257
-	-	-	12,113
-	-	-	(13,377)
-	-	-	546
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ 536,877
\$ -	\$ -	\$ -	\$ 62
-	-	-	769
-	-	-	949
-	-	-	275
-	-	-	191
-	-	-	1,655
-	-	-	(3,012)
-	-	-	49
-	-	-	1,566

See accompanying notes.

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JANUARY 31, 2011**

	<u>Annual Budget</u>	<u>Unrestricted</u>
<b>Synod Programs (Continued)</b>		
Evangelical Outread	2,000	464
Companion Synods Ministry	2,000	236
Stewardship Projects	4,000	4,000
Continuing Education Projects	1,000	1,000
Congregational Initiative	1,236	500
Multi-Cultural Ministry Committee	1,700	790
Rural Ministry	500	344
Woyatan Grant	27,896	21,818
Mission Table Strategy	2,000	1,465
Total Synod Programs	<u>\$ 77,232</u>	<u>\$ 33,121</u>
<b>Synod Supported Ministries</b>		
SD Ministries Support	\$ 40,495	\$ 55,393
Luther Seminary	71,940	64,746
Church Colleges	6,224	5,602
Lutheran Social Services	71,940	64,746
Lutherans Outdoors	35,878	32,290
Flandreau Indian School	13,522	12,170
Assn Christian Churches	2,000	1,800
Good Samaritan Society	1	1
Chapel in the Hills	1	1
Lutheran Planned Giving	48,410	48,410
Total Synod Supported Ministries	<u>\$ 290,411</u>	<u>\$ 285,159</u>
<b>Synod Sustained Ministries</b>		
Campus Ministry	\$ 126,856	\$ 114,170
Heartland Ephphatha	6,224	5,602
Lutheran Youth Organization	3,605	3,605
Campus Capital	1,030	1,030
Total Synod Sustained Ministries	<u>\$ 137,715</u>	<u>\$ 124,407</u>
<b>Outreach Ministries</b>		
Mission Congregation Startup	\$ 4,000	\$ 4,000
Companion Synod	1,000	-
Multicultural Center	15,000	14,462
Total Outreach Ministries	<u>\$ 20,000</u>	<u>\$ 18,462</u>
<b>Region III</b>	\$ 18,900	\$ 17,010
<b>ELCA Ministries</b>	\$ 727,413	\$ 677,135

See accompanying notes.

<u>Board Designated and Restricted</u>	<u>Property and Equipment</u>	<u>Endowment</u>	<u>Total</u>
-	-	-	464
-	-	-	236
-	-	-	4,000
-	-	-	1,000
-	-	-	500
-	-	-	790
-	-	-	344
-	-	-	21,818
-	-	-	1,465
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,121</u>
\$ -	\$ -	\$ -	\$ 55,393
-	-	-	64,746
-	-	-	5,602
-	-	-	64,746
-	-	-	32,290
-	-	-	12,170
-	-	-	1,800
-	-	-	1
-	-	-	1
-	-	-	48,410
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,159</u>
\$ -	\$ -	\$ -	\$ 114,170
-	-	-	5,602
-	-	-	3,605
-	-	-	1,030
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,407</u>
\$ -	\$ -	\$ -	\$ 4,000
-	-	-	-
-	-	-	14,462
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,462</u>
\$ -	\$ -	\$ -	\$ 17,010
\$ -	\$ -	\$ -	\$ 677,135

See accompanying notes.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JANUARY 31, 2011**

	Annual <u>Budget</u>	<u>Unrestricted</u>
<b>Native American Ministries</b>		
Salary	\$ 32,003	\$ 32,003
Housing	14,904	14,904
Pension	12,783	12,725
Social Security Employer	2,448	2,448
Travel	6,060	4,392
Continuing Education	800	800
Total Native American Ministries	<u>\$ 68,998</u>	<u>\$ 67,272</u>
<b>Synod Youth Ministry Coordinator</b>		
Salary	\$ 10,900	\$ 10,900
Employer Social Security	834	834
Travel	1,119	549
Continuing Education	134	134
Education Resources	169	(124)
Total Synod Youth Ministry Coordinator	<u>\$ 13,156</u>	<u>\$ 12,293</u>
<b>Development Ministry</b>		
Salary	\$ 57,500	\$ 31,146
Pension	13,576	7,679
Employer Social Security	4,399	2,382
Travel	1,800	387
Offset	(37,738)	(20,441)
Total Development Ministry	<u>\$ 39,537</u>	<u>\$ 21,153</u>
<b>Companion Synod Coordinator</b>		
Salary	\$ 7,800	\$ 7,800
Employer Social Security	597	597
Travel	1,250	1,250
Total Companion Synod Coordinator	<u>\$ 9,647</u>	<u>\$ 9,647</u>
<b>Contingency</b>	\$ 4,368	\$ (15,159)
<b>Other Distributions</b>	\$ -	\$ -
<b>Investments Expense</b>	\$ -	\$ -
<b>Depreciation:</b>		
Furniture and Equipment	\$ -	\$ -
Building	-	-
Total Depreciation	<u>\$ -</u>	<u>\$ -</u>
<b>Total Functional Expenses</b>	<u><u>\$ 1,987,743</u></u>	<u><u>\$ 1,787,377</u></u>

See accompanying notes.

<u>Board Designated and Restricted</u>	<u>Property and Equipment</u>	<u>Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 32,003
-	-	-	14,904
-	-	-	12,725
-	-	-	2,448
-	-	-	4,392
-	-	-	800
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,272</u>
\$ -	\$ -	\$ -	\$ 10,900
-	-	-	834
-	-	-	549
-	-	-	134
-	-	-	(124)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,293</u>
\$ -	\$ -	\$ -	\$ 31,146
-	-	-	7,679
-	-	-	2,382
-	-	-	387
-	-	-	(20,441)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,153</u>
\$ -	\$ -	\$ -	\$ 7,800
-	-	-	597
-	-	-	1,250
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,647</u>
\$ -	\$ -	\$ -	\$ (15,159)
\$ 896,117	\$ -	\$ 46,150	\$ 942,267
\$ -	\$ -	\$ 4,118	\$ 4,118
\$ -	\$ 18,009	\$ -	\$ 18,009
-	34,353	-	34,353
<u>\$ -</u>	<u>\$ 52,362</u>	<u>\$ -</u>	<u>\$ 52,362</u>
<u>\$ 896,117</u>	<u>\$ 52,362</u>	<u>\$ 50,268</u>	<u>\$ 2,786,124</u>

See accompanying notes.

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

**STATEMENT OF CASH FLOWS**

**JANUARY 31, 2011**

	<u>General</u>	<u>Property and Equipment</u>	<u>Endowment</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>				
Change in net assets	\$ 80,437	\$ (50,402)	\$ 398,725	\$ 428,760
Adjustments to reconcile to net cash used by operating activities:				
Depreciation	-	52,362	-	52,362
Realized loss	-	-	15,864	15,864
Unrealized gain	-	-	(285,355)	(285,355)
Earnings reinvested	(8,814)	-	(18,686)	(27,500)
Cash surrender value life insurance	-	-	3,150	3,150
Changes in operating assets and liabilities:				
Accrued income	(527)	-	-	(527)
Accounts receivable	(19,986)	-	19,986	-
Accrued liabilities	(4,139)	-	-	(4,139)
Other	(44,295)	44,295	-	-
Deferred Income	15,000	-	-	15,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	17,676	46,255	133,684	197,615
<b>Cash Flows from Investment Activities</b>				
Property and equipment purchases	-	-	-	-
Investment purchases	-	(60,750)	(786,511)	(847,261)
Investment sales and maturities	-	-	676,683	676,683
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash used by investment activities	-	(60,750)	(109,828)	(170,578)
<b>Cash Flows from Financing Activities</b>				
Proceeds from long term borrowings	-	45,779	-	45,779
Payments on long term borrowings	-	(31,284)	-	(31,284)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash provided by financing activities	-	14,495	-	14,495
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in cash	17,676	-	23,856	41,532
<b>Cash, Beginning of year</b>	<hr/> <u>351,752</u>	<hr/> <u>-</u>	<hr/> <u>191,481</u>	<hr/> <u>543,233</u>
<b>Cash, End of year</b>	<hr/> <u>\$ 369,428</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 215,337</u>	<hr/> <u>\$ 584,765</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 April 21, 2011, 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 Accounting**

The accounts of the Synod are maintained on the modified cash basis of accounting. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recorded as they are paid rather than as the benefits are recognized. That basis differs from generally accepted accounting principles primarily because the Synod has not recognized unconditional promises to give from members as pledges receivable in the accompanying financial statements.

**d. Method of Accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to the organization, the accounts of the organization are grouped into asset groups. Resources are classified according to their nature and purposes. Separate accounts are maintained for each asset, however, in the accompanying financial statements, those having similar characteristics have been combined.

The assets, liabilities, and net assets of the organization are reported in four self-balancing asset groups as follows:

General, which includes unrestricted and restricted resources, represents the portion of expendable assets that are available for support of operations. Restricted resources are further classified as follows:

Board designated – resources which have been set aside from the general fund for a specific purpose designated by the board. Designations can be changed by the board as need arises.

Donor restricted – contributions to the Synod for which the donor has specified the purpose for which the assets are to be used.

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

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

**d. Method of Accounting (Continued)**

Property and equipment, which represents resources restricted for plant acquisitions.

Endowment, which represents assets that are subject to restrictions of gift instruments or that have been designated by the Synod Council. The individual endowment accounts are as follows:

Restricted-endowment account - contributions to the Synod for which the donor has limited distributions to the income from the principal and has specified the purpose for which the income is to be used.

Term-endowment account - contributions to the Synod for which the donor has allowed distributions to be made from both the income and the principal and has specified the purpose for which the assets are to be used.

Quasi-endowment account - contributions to the Synod for which the donor has not specified a particular purpose and which have been designated by the Synod Council, either on a specific action or by standing resolution, to be placed in the Endowment.

Account balances will be independently maintained for accounting purposes. However, assets of the accounts may be pooled for investment purposes.

**e. Property and Equipment**

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

It is the policy of the Synod 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

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

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

**f. Use of 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.

**g. Cash and Cash Equivalents**

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

**h. Concentration of Credit Risk**

The Synod 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 Synod maintains cash balances in excess of this limit.

**i. Income Taxes**

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

**2. INVESTMENT SECURITIES - ENDOWMENT**

Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are valued at their fair market values in the statement of financial position. These Unrealized gains and losses are included in the change in net assets.

	<u>Cost*</u>	<u>Unrealized Gain</u>	<u>Fair Market Value**</u>
Equity securities	\$ 1,032,273	\$ 296,967	\$ 1,329,240
Debt securities	<u>474,778</u>	<u>14,656</u>	<u>489,434</u>
Totals	\$ <u>1,507,051</u>	\$ <u>311,623</u>	\$ <u>1,818,674</u>

\*The above cost amounts include reinvested earnings.

\*\*Fair Market Value was based on Level 1 inputs, quoted prices in active markets for identical assets.

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

**3. BUILDING**

The land upon which the Synod office building has been built and the Synod office building are owned by Augustana College. It is understood that the South Dakota Synod, Evangelical Lutheran Church in America will have the right to occupy said office building so long as it desires under certain conditions which have been agreed to or as they may be amended by mutual consent in the future. It is further mutually agreed that, if the Synod would no longer occupy the building, the College would reimburse the Synod for the cost of constructing it, taking into consideration its value to the college by providing additional useful space.

**4. PENSION PLAN**

The Synod participates in the pension plan sponsored by the Evangelical Lutheran Church in America which covers religious and lay personnel. Total pension plan expense was \$57,802.

**5. PERMANENTLY RESTRICTED NET ASSETS**

The permanently restricted net assets are comprised of the following:

Quasi-Endowment	\$ 123,617
Restricted-Endowment	<u>2,242,525</u>
	<u>\$ 2,366,142</u>

**6. NOTES PAYABLE**

Note payable to Mission Investment Fund of the ELCA, due in monthly installments of \$2,944, including interest at 5.75%, subject to adjustment every five years, and maturing July 1, 2026. Note is secured by real estate in Rapid City, SD	\$ 197,526
Note payable Chase Credit Services, secured by a vehicle, due in monthly installments of \$623, including interest at 4.50%, maturing in March 2015.	28,349
Note payable Fifth Third Bank, secured by a vehicle, due in monthly installments of \$235, including interest at 4.94%, maturing in May, 2015.	<u>10,730</u>
Total Notes Payable	<u>\$ 236,605</u>

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

**6. NOTES PAYABLE (CONTINUED)**

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

Year ending January 31, 2012	\$ 33,508
2013	35,161
2014	37,128
2015	39,208
2016	32,919
Thereafter	<u>58,681</u>
	\$ <u>236,605</u>

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our report on our audit of the basic financial statements of the **SOUTH DAKOTA SYNOD, EVANGELICAL LUTHERAN CHURCH IN AMERICA** as of January 31, 2011, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on pages 14, 15 and 16 are presented for purposes of additional information analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sioux Falls, South Dakota

April 21, 2011

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF CHANGES IN BOARD DESIGNATED ASSETS

JANUARY 31, 2011

	<u>Balance</u> <u>1/31/2010</u>	<u>Gifts</u> <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u> <u>1/31/2011</u>
<b>Board Designated</b>					
Resource Center	\$ 3,904	\$ -	\$ -	\$ -	\$ 3,904
Office Equipment	1,908	-	-	-	1,908
Executive Staff Severance	427	-	-	-	427
Building Transfer	527	-	-	-	527
Evangelism Projects	2,493	-	-	-	2,493
Stewardship Projects	103,033	36,467	99,968	-	39,532
Rural Ministry	1,189	930	987	-	1,132
Continuing Education	2,365	12,272	11,130	-	3,507
Fall Theological Conference	5,637	7,765	8,208	-	5,194
Bridgebuilders	596	-	-	-	596
Youth Certification School	2,870	-	-	-	2,870
Synod Program Development	1,903	-	-	-	1,903
Healthy Congregations	5,529	-	-	-	5,529
First Call Retreat Program	400	-	-	-	400
Stewardship The Call	750	-	-	-	750
LYO Synod Gathering	1,894	-	33	-	1,861
Synod Assembly Fund	15,263	70,792	69,554	-	16,501
Companion Synod Promotions	1,548	-	34	-	1,514
Multi-Cultural Ministry	780	-	-	-	780
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Board Designated</b>	<b>\$ 153,016</b>	<b>\$ 128,226</b>	<b>\$ 189,914</b>	<b>\$ -</b>	<b>\$ 91,328</b>

## SOUTH DAKOTA SYNOD

## EVANGELICAL LUTHERAN CHURCH IN AMERICA

## STATEMENT OF CHANGES IN DONOR RESTRICTED ASSETS

JANUARY 31, 2011

	Balance <u>1/31/2010</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2011</u>
<b>Donor Restricted</b>					
Pine Ridge/Lutheran Lakota Ministry	\$ 8,773	\$ 34,628	\$ 43,401	\$ -	\$ -
Heartland Ephphatha	19,491	36,903	46,270	-	10,124
Lutheran Youth Organization	11,876	5,320	4,003	-	13,193
Campus Min Capital Reserves	1,030	1,030	-	-	2,060
Pine Ridge/Horizon Intern	-	5,320	5,703	-	(383)
Woyatan Multicultural	5,913	8,590	7,561	-	6,942
Answer The Call	-	-	-	3,994	3,994
Answer the Call/Capital Campaign	(637,157)	-	30,170	667,327	-
Answer The Call Donations	620,911	48,262	-	(669,173)	-
Answer The Call Missionary	2,388	-	240	(2,148)	-
African Ministry	4,761	26,154	30,236	-	679
Answer The Call - WELCA	53,764	11,257	65,021	-	-
Westside Lutheran SF	-	27,325	29,870	-	(2,545)
SD Pastor Conference	3,340	-	371	-	2,969
SD Ministries Support	-	55,393	12,940	-	42,453
New Mission Start (SF)	20,562	81	11,582	-	9,061
Atonement Building Purchase	(24,885)	19,986	-	-	(4,899)
SD Hunger Relief	565	-	-	-	565
Youth Habitat House	3,237	-	-	-	3,237
Pastors' Sem Indebtedness	19	30,000	30,000	-	19
Seminary Student Fund	2,866	4,799	7,565	-	100
SD Mission Partners/Mission Booster	26,205	53,193	60,933	-	18,465
C Engen Seminary Scholarship	25,415	37,635	25,400	-	37,650
Synod Assembly Offering	-	9,228	8,253	-	975
Endowment Distributions	2,187	19,000	12,700	-	8,487
Monthly Pass-Through	1,068	58,720	58,720	-	1,068
New Building Gifts	-	620	620	-	-
Latino Emerging Ministry	3,707	5,000	3,392	-	5,315
Faith Family Style	13,149	668	2,885	-	10,932
Faith Builders	20,522	39,994	51,376	-	9,140
Book Of Faith Initiative	2,101	1,925	3,220	-	806
Grassroots	300	25	325	-	-
Peace Fund	4,141	1,075	500	-	4,716

**SOUTH DAKOTA SYNOD**  
**EVANGELICAL LUTHERAN CHURCH IN AMERICA**  
**STATEMENT OF CHANGES IN DONOR RESTRICTED ASSETS**  
**JANUARY 31, 2011**

	Balance <u>1/31/2010</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2011</u>
<b>Donor Restricted (Continued)</b>					
Bishops Discretionary Fund	12,817	86,891	49,273	-	50,435
Exec Staff Cont Education	5,274	803	1,098	-	4,979
Cameroon Projects	9,038	54,001	19,189	-	43,850
Nicaragua Projects	32,626	57,018	40,945	-	48,699
Comp Synods-Traveling To	103	-	-	-	103
Comp Synods-Traveling From	9,174	500	2,156	-	7,518
Train Up A Child	9,582	12,005	13,000	-	8,587
Cameroon Roofs 6 by 7	11,794	16,279	15,995	-	12,078
Nicaragua Missionary IFLE	4,137	9,672	11,290	-	2,519
<b>Total Donor Restricted</b>	<u>\$ 290,794</u>	<u>\$ 779,300</u>	<u>\$ 706,203</u>	<u>\$ -</u>	<u>\$ 363,891</u>
<b>Total Board Designated and Donor Restricted</b>	<u>\$ 443,810</u>	<u>\$ 907,526</u>	<u>\$ 896,117</u>	<u>\$ -</u>	<u>\$ 455,219</u>