

**SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
JANUARY 31, 2023 AND 2022**

**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

Qualified Opinion

We have audited the accompanying financial statements of **South Dakota Synod Evangelical Lutheran Church in America** (a nonprofit organization), which comprise the statement of financial position as of January 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of promises to give not recorded in the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of **South Dakota Synod Evangelical Lutheran Church in America** as of January 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 12 to the financial statements, the Organization has not recorded promises to give in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that promises to give be recorded at the present value of pledges made discounted to present value and net of uncollected pledges. The effects on the accompanying financial statements of the failure to record promises to give have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 **South Dakota Synod Evangelical Lutheran Church in America** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 from 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 **South Dakota Synod Evangelical Lutheran Church in America's** ability to continue as a going concern within 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 from 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, 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 **South Dakota Synod Evangelical Lutheran Church in America'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 **South Dakota Synod Evangelical Lutheran Church in America'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Changes in Net Assets without Donor Restrictions and Statement of Changes in Net Assets with Donor Restrictions 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, except for the effects of promises to give not recorded in the financial statements described in the Basis for Qualified Opinion section of our report, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Purdine Accounting Group, LLP

Sioux Falls, South Dakota
May 8, 2023

SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents		
Interest bearing	\$ 1,652,607	\$ 1,725,848
ELCA investment certificates	432,172	396,781
Equity securities	6,615,449	7,300,121
Debt securities	1,567,653	1,533,629
Cash surrender value annuity	-	76,767
Prepaid expense	245	-
Accrued income	560	719
Property and equipment		
Building and improvements	1,394,522	1,394,522
Furniture and equipment	248,707	249,396
Less-accumulated depreciation	(1,005,465)	(960,291)
Notes receivable	59,071	103,789
Real estate	<u>1,794,017</u>	<u>1,683,217</u>
 Total assets	 <u>\$ 12,759,538</u>	 <u>\$ 13,504,498</u>
LIABILITIES AND NET ASSETS		
Line of credit	\$ 59,071	\$ 103,789
Accounts payable	5,560	1,519
Accrued liabilities	30	80
Deferred income	<u>31,766</u>	<u>34,390</u>
 Total liabilities	 96,427	 139,778
Net assets		
Without donor restrictions	1,071,774	1,117,160
With donor restrictions	<u>11,591,337</u>	<u>12,247,560</u>
 Total net assets	 <u>12,663,111</u>	 <u>13,364,720</u>
 Total liabilities and net assets	 <u>\$ 12,759,538</u>	 <u>\$ 13,504,498</u>

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2023 AND 2022

	2023			2022
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues, Gifts and Other Support				
Contributions				
Congregational Benevolence	\$ 1,738,365	\$ -	\$ 1,738,365	\$ 1,804,714
Gifts Without Donor Restrictions	134,529	-	134,529	266,773
Gifts With Donor Restrictions	-	1,595,594	1,595,594	2,177,200
Investment Return, net	9,934	(371,193)	(361,259)	759,559
SD Synod Mission Support	35,717	-	35,717	33,339
SDS Travel LLC Income	3,230	-	3,230	3,596
Pine Ridge Ministry	45,000	-	45,000	43,865
DEM Support Staff	10,000	-	10,000	10,000
Other	1,074	78,809	79,883	70,307
Net assets released from restrictions	<u>1,959,433</u>	<u>(1,959,433)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gifts and Other Support	\$ 3,937,282	\$ (656,223)	\$ 3,281,059	\$ 5,169,353
Expenses				
Program	\$ 3,773,931	\$ -	\$ 3,773,931	\$ 4,127,219
Fundraising	14,477	-	14,477	14,433
Management and General	<u>194,260</u>	<u>-</u>	<u>194,260</u>	<u>182,094</u>
Total Expenses	\$ 3,982,668	\$ -	\$ 3,982,668	\$ 4,323,746
Net (Decrease) Increase in Net Assets	(45,386)	(656,223)	(701,609)	845,607
Net Assets, Beginning of Year	<u>1,117,160</u>	<u>12,247,560</u>	<u>13,364,720</u>	<u>12,519,113</u>
Net Assets, End of Year	<u>\$ 1,071,774</u>	<u>\$ 11,591,337</u>	<u>\$ 12,663,111</u>	<u>\$ 13,364,720</u>

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JANUARY 31, 2023 AND 2022

	2023				2022
	Program	Fundraising	Management & General	Total	Total
Synod Administration					
Bishop Salary	\$ 43,801	\$ 6,257	\$ 12,515	\$ 62,573	62,215
Bishop Housing	21,900	3,129	6,257	31,286	31,108
Bishop Benefits	35,637	5,091	10,182	50,910	50,997
Associate/Director Evangelical Mission Salary	4,204	-	1,802	6,006	6,006
Associate Mobility/Candidacy Salary	62,065	-	15,516	77,581	76,626
Associate Mobility/Candidacy Social Security	4,748	-	1,187	5,935	5,862
Associate Mobility/Candidacy Benefits	31,566	-	7,891	39,457	41,322
Exec Staff Continuing Education	3,800	-	-	3,800	3,800
Exec Staff Travel	13,789	-	-	13,789	8,676
SDS Transportation Travel	19,136	-	-	19,136	18,773
Staff Salaries	88,087	-	43,386	131,473	126,585
Staff Benefits	26,022	-	12,817	38,839	37,709
Employer Social Security	5,838	-	2,876	8,714	8,720
Utilities, Cleaning, Etc. Reimbursed to Augustana	-	-	30,943	30,943	25,392
Supplies	-	-	16,826	16,826	15,738
Printing	-	-	1,291	1,291	1,353
Postage	-	-	3,122	3,122	1,627
Telephone	-	-	3,694	3,694	3,889
Equipment Maintenance/Rent	-	-	990	990	2,997
Insurance	-	-	26,886	26,886	26,672
Auditing	-	-	9,479	9,479	8,627
Hospitality	-	-	3,499	3,499	1,126
West River Office Rent	-	-	4,800	4,800	4,800
Synod Council Travel	-	-	1,485	1,485	716
Synod Council Hospitality	-	-	2,051	2,051	2,291
Other	-	-	322	322	480
Lutherans Outdoors Offset	-	-	(25,557)	(25,557)	(26,134)
Total Synod Administration	\$ 360,593	\$ 14,477	\$ 194,260	\$ 569,330	\$ 547,973
Synod Programs					
Resource Center	\$ -	\$ -	\$ -	\$ -	\$ 255
Support to Ministries Travel	1,682	-	-	1,682	533
Support to Ministries Hospitality	605	-	-	605	282
Candidacy Travel	768	-	-	768	818
Candidacy Hospitality	620	-	-	620	960
Candidacy Programs	2,668	-	-	2,668	(2,370)
Electronic Communications	4,009	-	-	4,009	3,615
Evangelical Outreach	-	-	-	-	1,010
Mission Table Strategy	-	-	-	-	1,000
Total Synod Programs	\$ 10,352	\$ -	\$ -	\$ 10,352	\$ 6,103
Synod Supported Ministries					
SD Ministries Support	\$ 15,358	\$ -	\$ -	\$ 15,358	\$ 15,002
Luther Seminary	69,721	-	-	69,721	72,235
Church Colleges	6,032	-	-	6,032	6,249
Lutheran Social Services	69,721	-	-	69,721	72,235
Lutherans Outdoors	34,772	-	-	34,772	36,026
Good Samaritan Society	1	-	-	1	1
Chapel in the Hills	1	-	-	1	1
Lutheran Planned Giving	58,300	-	-	58,300	58,300
Total Synod Supported Ministries	\$ 253,906	\$ -	\$ -	\$ 253,906	\$ 260,049

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JANUARY 31, 2023 AND 2022

	2023			2022
	Program	Fundraising	Management & General	Total
Synod Sustained Ministries				
Campus Ministry	\$ 122,944	\$ -	\$ -	\$ 122,944
Heartland Ephphatha	6,259	-	-	6,215
Lutheran Youth Organization	-	-	-	3,238
Campus Capital	-	-	-	1,030
Total Synod Sustained Ministries	\$ 129,203	\$ -	\$ -	\$ 129,203
Outreach Ministries				
Mission Congregation Startup	\$ -	\$ -	\$ -	\$ 2,500
Multicultural Center	23,889	-	-	20,026
Total Outreach Ministries	\$ 23,889	\$ -	\$ -	\$ 22,526
Region III	\$ 7,681	\$ -	\$ -	\$ 7,260
ELCA Ministries	\$ 747,498	\$ -	\$ -	\$ 812,121
Native American Ministries				
Salary	\$ 39,822	\$ -	\$ -	\$ 39,153
Housing	5,000	-	-	5,000
Benefits	40,399	-	-	37,953
Employer Social Security	2,828	-	-	2,809
Travel	9,233	-	-	8,056
Continuing Education	800	-	-	800
Total Native American Ministries	\$ 98,082	\$ -	\$ -	\$ 93,771
Synod Youth Ministry Coordinator				
Salary	\$ 2,250	\$ -	\$ -	\$ 5,844
Employer Social Security	172	-	-	402
Travel	-	-	-	-
Total Synod Youth Ministry Coordinator	\$ 2,422	\$ -	\$ -	\$ 6,246
Companion Synod Coordinator				
Salary	\$ 10,587	\$ -	\$ -	\$ 7,281
Employer Social Security	810	-	-	557
Benefits	3,140	-	-	1,145
Travel	1,000	-	-	378
Total Companion Synod Coordinator	\$ 15,537	\$ -	\$ -	\$ 9,361
Contingency	\$ -	\$ -	\$ -	\$ -
Depreciation:				
Furniture and Equipment	\$ 19,374	\$ -	\$ -	\$ 18,742
Building	26,489	-	-	29,977
Total Depreciation	\$ 45,863	\$ -	\$ -	\$ 48,719
Other Program Distributions	\$ 119,472	\$ -	\$ -	\$ 210,216
Endowment and Program Distributions	\$ 1,959,433	\$ -	\$ -	\$ 2,161,541
Loss on Disposal	\$ -	\$ -	\$ -	\$ -
Total Functional Expenses	<u>\$ 3,773,931</u>	<u>\$ 14,477</u>	<u>\$ 194,260</u>	<u>\$ 3,982,668</u>
				<u>\$ 4,323,746</u>

See independent auditors' report and accompanying notes.

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

STATEMENT OF CASH FLOWS

JANUARY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (701,609)	\$ 845,607
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	45,863	48,719
Earnings reinvested	371,737	(752,195)
Loss on disposal	-	-
Endowment contributions	(180,815)	(341,611)
Changes in operating assets and liabilities:		
Accrued income	159	(84)
Accrued liabilities	(50)	50
Prepaid expense	(245)	-
Note receivable receipts	44,718	80,209
Accounts payable	4,041	(28,902)
Deferred income	(2,624)	(16,358)
	<hr/>	<hr/>
Net cash used by operating activities	(418,825)	(164,565)
Cash Flows from Investing Activities		
Property and equipment purchases	-	(30,045)
Investment purchases	(626,088)	(291,273)
Investment sales	835,575	410,527
Sales proceeds	-	-
	<hr/>	<hr/>
Net cash provided by investing activities	209,487	89,209
Cash Flows from Financing Activities		
Endowment contributions	180,815	341,611
Receipts on long term borrowings	-	-
Payments on long term borrowings	(44,718)	(80,209)
	<hr/>	<hr/>
Net cash (used) provided by financing activities	136,097	261,402
	<hr/>	<hr/>
Net change in cash	(73,241)	186,046
Cash and cash equivalents, Beginning of year	<hr/> <u>1,725,848</u>	<hr/> <u>1,539,802</u>
Cash and cash equivalents, End of year	<hr/> <u>\$ 1,652,607</u>	<hr/> <u>\$ 1,725,848</u>

See independent auditors' report and 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 8, 2023, 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 using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of resources into two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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.
- **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 lives 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. Revenue Recognition and Deferred Revenue

Contributions received are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

Deferred revenue consists of premature contributions from supporting organizations and revenue on contract with a supported organization for the purpose of supplying equipment that is not allowed to be purchased for the supported organization per the by-laws.

f. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could vary from those estimates.

g. 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.

h. Restricted Cash

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Organization believes it places its cash and temporary cash investments with high quality credit institutions. At times, such investments may be in excess of the FDIC insurance limit.

j. 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.

k. 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.

l. Functional Expenses

The costs of providing various programs and services are summarized on a functional basis on the statement of activities and statement of functional expenses. Accordingly, costs were allocated among the programs or services benefited based on best estimates of time by management. Those costs allocated were salaries and related costs.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. 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.

n. Real Estate

Real estate is comprised of 1,303.27 acres of land donated from Engen seminary students scholarship assistance trust. Real estate is measured at tax assessed value annually.

2. ENDOWMENTS

The Organization's endowment consists of several 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.

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 the 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.

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

2. ENDOWMENTS (CONTINUED)

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.

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, 2023 and 2022 are as follows:

Endowment net assets, January 31, 2021	\$ 10,209,342
Contributions	341,611
Investment Income, net of investment expenses	299,748
Realized and unrealized gains	522,288
Amount appropriated for expenditures	<u>(377,596)</u>
Endowment net assets, January 31, 2022	\$ 10,995,393
Contributions	180,815
Investment Income, net of investment expenses	139,339
Realized and unrealized losses	(717,128)
Amount appropriated for expenditures	<u>(161,578)</u>
Endowment net assets, January 31, 2023	\$ <u>10,436,841</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022 are as follows:

Financial Assets:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,652,607	\$ 1,725,848
ELCA investment certificates	432,172	396,781
Equity securities	6,615,449	7,300,121
Debt securities	1,567,653	1,533,629
Cash surrender value annuity	-	76,767
Note receivable	59,071	103,789
Other Assets	<u>805</u>	<u>719</u>
Total Financial Assets	<u>10,327,757</u>	<u>11,137,654</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose restricted-net assets	1,154,498	1,252,167
Donor-restricted quasi-endowment funds	138,097	160,602
Donor-restricted endowment funds	8,504,725	9,151,574
Financial Assets Held to Meet Donor Restrictions	<u>9,797,320</u>	<u>10,564,343</u>
Less Financial Assets not available within One Year:		
Board designated net assets	<u>288,334</u>	<u>273,279</u>
Amounts Available for General Expenditure within One Year	<u>\$ 242,103</u>	<u>\$ 300,032</u>

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 statement of activities.

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 \$2,323 from February 2022 to September 2022 and \$2,509 from October 2022 to January 2023. The Organization may vacate the premises in their sole discretion.

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

5. FINANCING ARRANGEMENTSLine 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 \$59,071 and \$103,789 was outstanding as of January 31, 2023 and 2022. 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, 2023, secured by real estate.

6. 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 \$56,223 for January 31, 2023 and 2022 respectively.

7. NET ASSETS – WITH DONOR RESTRICTION

Net Assets with Donor Restrictions to be used for a specified purpose consist of the following:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions – see Supplemental Schedule on pages 18-19 for specific programs	\$ 1,154,498	\$ 1,252,167
Donor Restricted Quasi-Endowment Funds	138,097	160,602
Donor Restricted Endowment Funds	<u>10,298,742</u>	<u>10,834,791</u>
Total Net Assets With Donor Restrictions	<u>\$ 11,591,337</u>	<u>\$ 12,247,560</u>

8. BOARD DESIGNATED NET ASSETS

The board designated net assets to be used for a specified purpose are comprised of the following:

	<u>2023</u>	<u>2022</u>
Without donor restrictions: See Supplemental Schedule on page 17 for respective allocations of restrictions	<u>\$ 288,334</u>	<u>\$ 273,279</u>

9. DEFERRED REVENUE

Income from vehicle contract and prepaid program fees are:

	<u>Deferred Revenue on Lease Contract</u>	<u>Prepaid program fees</u>
January 31, 2021	\$ 17,726	\$ 33,022
Net change FY22	<u>(5,909)</u>	<u>(10,449)</u>
January 31, 2022	\$ 11,817	\$ 22,573
Net change FY23	<u>(5,908)</u>	<u>3,284</u>
January 31, 2023	<u>\$ 5,909</u>	<u>\$ 25,857</u>

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

10. INVESTMENTS

The fair value of investments as of January 31, 2023 and 2022 was as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable equity securities:				
ELCA pooled trust	\$ 3,895,834	\$ 4,272,588	\$ 3,778,512	\$ 4,582,287
Equity mutual funds	1,317,514	1,670,293	1,486,021	2,067,388
International equity mutual funds	555,071	672,568	414,850	553,739
Real estate mutual funds	-	-	71,928	96,707
Total marketable equity securities	<u>5,768,419</u>	<u>6,615,449</u>	<u>5,751,311</u>	<u>7,300,121</u>
Marketable debt securities:				
Corporate debt securities	332,870	320,379	359,452	366,745
Fixed income mutual funds	1,202,760	1,137,603	1,071,179	1,041,783
Municipal bonds	115,154	109,671	120,181	125,101
Total marketable debt securities	<u>1,650,784</u>	<u>1,567,653</u>	<u>1,550,812</u>	<u>1,533,629</u>
Real estate	<u>1,501,052</u>	<u>1,794,017</u>	<u>1,501,052</u>	<u>1,683,217</u>
	<u>\$8,920,255</u>	<u>\$9,977,119</u>	<u>\$8,803,175</u>	<u>\$10,516,967</u>

Investment income for the year ended January 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Investment income		
Interest and dividends	\$ 355,325	\$ 236,511
Realized gains	<u>46,777</u>	<u>79,680</u>
	<u>402,102</u>	<u>316,191</u>
Unrealized gains		
Unrealized (loss) gain	(763,905)	442,608
Increase in cash surrender value of annuity	<u>544</u>	<u>760</u>
	<u>(763,361)</u>	<u>443,368</u>
Total investment income	\$ <u>(361,259)</u>	\$ <u>759,559</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

11. FAIR VALUE OF INVESTMENTS

The following table provides information by level for assets that are measured at fair value, on a recurring basis.

	January 31, 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities:				
ELCA pooled trust	\$ 4,272,588	\$ -	\$ -	\$ 4,272,588
Equity mutual funds	1,670,293	-	-	1,670,293
International equity mutual funds	672,568	-	-	672,568
Real estate mutual funds	-	-	-	-
Marketable debt securities:				
Corporate debt securities	-	320,379	-	320,379
Fixed income mutual fund	-	1,137,603	-	1,137,603
Municipal bonds	-	109,671	-	109,671
Real estate	-	-	1,794,017	1,794,017
	<u>\$ 6,615,449</u>	<u>\$ 1,567,653</u>	<u>\$ 1,794,017</u>	<u>\$ 9,977,119</u>
	January 31, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities:				
ELCA pooled trust	\$ 4,582,287	\$ -	\$ -	\$ 4,582,287
Equity mutual funds	2,067,388	-	-	2,067,388
International equity mutual funds	553,739	-	-	553,739
Real estate mutual funds	96,707	-	-	96,707
Marketable debt securities:				
Corporate debt securities	-	366,745	-	366,745
Fixed income mutual fund	-	1,041,783	-	1,041,783
Municipal bonds	-	125,101	-	125,101
Real estate	-	-	1,683,217	1,683,217
	<u>\$ 7,300,121</u>	<u>\$ 1,533,629</u>	<u>\$ 1,683,217</u>	<u>\$ 10,516,967</u>

12. DEPARTURE FROM GAAP

The Organization records contributions from congregations and donors when the proceeds of the contributions are received. Accounting principles generally accepted in the United States of America require the Organization to record unconditional promises to give when they are received. The Organization has not evaluated the effect of this departure.

13. GRANT

The Organization received as a subrecipient a State of South Dakota Emergency Solutions Grant awarded to Pine Ridge Reconciliation Center in April 2021 to the amount of \$505,946. Through the date of the financial statements, the Organization had received \$115,740 of those funds. Subsequent to the end of the year, the Organization had received an additional \$168,009.

SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA
SCHEDULES OF CHANGES IN BOARD DESIGNATED NET ASSETS
JANUARY 31, 2023 AND 2022

	<u>Balance</u> <u>1/31/2022</u>	<u>Gifts</u> <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u> <u>1/31/2023</u>
Without Donor Restrictions					
Occupancy Upkeep & Repairs	\$ 14,982	\$ -	\$ -	\$ -	\$ 14,982
Office Equipment	4,793	-	-	-	4,793
Bishop Election/Transition	29,370	40,000	-	-	69,370
Stewardship Projects	11,413	1,300	5,750	-	6,963
Rural Ministry	-	3,133	-	-	3,133
Continuing Education Events	16,746	12,975	10,984	-	18,737
Fall Theological Conference	15,203	10,486	9,535	-	16,154
Systems	-	900	110	-	790
Synod Assembly Fund	34,719	65,734	87,546	-	12,907
Multi-Cultural Ministry	3,984	-	-	-	3,984
Reserves	20,000	-	-	-	20,000
Rural Ministry Accompaniment	10,000	-	1,548	-	8,452
Box Elder New Site Development	35,000	-	4,000	-	31,000
Two by two	6,000	-	-	-	6,000
Dialog Works-Engageing God's Future	5,000	-	-	-	5,000
Non Traditional Internship Site	4,000	-	-	-	4,000
DWU Leadership	10,000	-	-	-	10,000
Anti Racism	4,000	-	-	-	4,000
Continuing Education	4,000	-	-	-	4,000
Pine Ridge	42,069	-	-	-	42,069
Coaching	2,000	-	-	-	2,000
Total Without Donor Restrictions	<u>\$ 273,279</u>	<u>\$ 134,528</u>	<u>\$ 119,473</u>	<u>\$ -</u>	<u>\$ 288,334</u>

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

SCHEDULES OF CHANGES IN BOARD DESIGNATED NET ASSETS

JANUARY 31, 2023 AND 2022

	Balance <u>1/31/2022</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2023</u>
With Donor Restrictions					
Pine Ridge/Lutheran Lakota Ministry	\$ 1,000	\$ 298,728	\$ 249,406	\$ -	\$ 50,322
Lutheran Lakota Job Corp	4,184	74,320	61,782	-	16,722
Pine Ridge Youth Position	2,714	43,189	41,854	-	4,049
Heartland Ephphatha	64,394	45,636	110,030	-	-
Youth Ministry	18,078	763	313	-	18,528
Campus Min Capital Reserves	6,140	-	-	-	6,140
Woyatan Multicultural	15,883	16,175	13,944	-	18,114
SDS Transportation	-	-	-	-	-
Marty's Mug	826	-	313	-	513
Spring Theological Conference	16,909	11,016	13,151	-	14,774
SD Ministries Support	30,338	15,358	6,000	-	39,696
Farm to Table	-	88,369	13,691	-	74,678
ATC/WELCA Donations	-	420	250	-	170
McLaughlin CAG	165,000	417	165,417	-	-
LDR Grant	14,796	-	10,000	-	4,796
Seminary Debt Reduction Fund	36,240	74,949	67,597	-	43,592
Seminary Scholarship Fund	95,061	78,789	52,921	-	120,929
CIS/NIS	55,684	57,419	63,209	-	49,894
COVID 19 Grant	400	-	-	-	400
Native American Sem Scholarship	101,533	-	-	-	101,533
C Engen Seminary Scholarship	-	71,371	71,371	-	-
Synod Assembly Offering	-	4,318	4,318	-	-
Endowment Distributions	64,101	59,964	14,791	-	109,274
Monthly Pass-Through	194,672	140,785	183,015	-	152,442
Pueblo de Dios	(7,026)	85,466	78,405	-	35

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

SCHEDULES OF CHANGES IN BOARD DESIGNATED NET ASSETS

JANUARY 31, 2023 AND 2022

	Balance <u>1/31/2022</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2023</u>
With Donor Restricted (Continued)					
SF Area Ministry Strategy	\$ 33,896	\$ -	\$ -	\$ -	\$ 33,896
May 2022 Storm Disaster	-	44,345	41,300	-	3,045
Select Learning	1,411	28,731	25,836	-	4,306
Seminary Resource Recruiter	162,868	18,227	69,146	-	111,949
Peace Fund/Good Samaritan Fund	21,890	2,827	1,630	-	23,087
Bishops Discretionary Fund	7,575	4,151	2,929	-	8,797
Exec Staff Cont Education	15,518	4,805	654	-	19,669
Cameroon Projects	37,193	14,655	30,820	-	21,028
Nicaragua Projects	8,344	31,724	26,196	-	13,872
Comp Synods-Traveling To	307	-	-	-	307
Comp Synods-Traveling From	28	-	-	-	28
Train Up A Child	8,062	4,981	10,000	-	3,043
Cameroon Roofs	335	8,000	335	-	8,000
Cameroon GB High School	300	-	300	-	-
Nicaragua Missionary IFLE	2,079	13,253	11,259	-	4,073
Listen, God is Calling (Donations)	2,765,209	4,947	-	-	2,770,156
Listen, God is Calling (Expenses)	(444,477)	-	3,087	-	(447,564)
Allocation of Listen, God is Calling Cash Gifts	(2,297,000)	-	-	(20,000)	(2,317,000)
Lifelong Academy	30,467	9,336	6,845	-	32,958
Rostered Leader Recruitment	-	16,339	16,339	-	-
Endowment - Support Initiative	-	-	20,000	20,000	-
New & Renewing Congregations	17,235	21,007	3,995	-	34,247
Total With Donor Restrictions	<u>\$ 1,252,167</u>	<u>\$ 1,394,780</u>	<u>\$ 1,492,449</u>	<u>\$ -</u>	<u>\$ 1,154,498</u>

See independent auditors' report and accompanying notes.