

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JANUARY 31, 2024 AND 2023

**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, 2024, 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, 2024, 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.

Paceline Accounting Group, LLP

Sioux Falls, South Dakota
May 6, 2024

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

STATEMENT OF FINANCIAL POSITION

**JANUARY 31, 2024
(with comparative totals for 2023)**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents		
Interest bearing	\$ 1,313,423	\$ 1,285,755
Restricted cash and cash equivalents	157,531	366,852
ELCA investment certificates	1,851,530	432,172
Equity securities (Note 10 & 11)	7,129,373	6,615,449
Debt securities (Note 11)	1,607,684	1,567,653
Prepaid expense	-	245
Accrued income	1,087	560
Property and equipment		
Building and improvements	1,000,413	1,394,522
Furniture and equipment	263,438	248,707
Less-accumulated depreciation	(861,468)	(1,005,465)
Notes receivable	-	59,071
Real estate	<u>1,794,017</u>	<u>1,794,017</u>
 Total assets	 <u>\$ 14,257,028</u>	 <u>\$ 12,759,538</u>
LIABILITIES AND NET ASSETS		
Line of credit	\$ -	\$ 59,071
Accounts payable	3,989	5,560
Accrued liabilities	30	30
Deferred income	<u>21,290</u>	<u>31,766</u>
 Total liabilities	 25,309	 96,427
Net assets		
Without donor restrictions	916,072	1,071,774
With donor restrictions	<u>13,315,647</u>	<u>11,591,337</u>
 Total net assets	 <u>14,231,719</u>	 <u>12,663,111</u>
 Total liabilities and net assets	 <u>\$ 14,257,028</u>	 <u>\$ 12,759,538</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, 2024
(with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gifts and Other Support				
Contributions				
Congregational Benevolence	\$ 1,706,609	\$ -	\$ 1,706,609	\$ 1,738,365
Gifts Without Donor Restrictions	166,116	-	166,116	134,529
Gifts With Donor Restrictions	-	3,084,245	3,084,245	1,595,594
Investment Return, net	56,093	688,471	744,564	(361,259)
SD Synod Mission Support	27,877	-	27,877	35,717
SDS Travel LLC Income	2,500	-	2,500	3,230
Pine Ridge Ministry	45,000	-	45,000	45,000
DEM Support Staff	10,000	-	10,000	10,000
Other	58,843	67,942	126,785	79,883
Net assets released from restrictions	<u>2,116,348</u>	<u>(2,116,348)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gifts and Other Support	\$ 4,189,386	\$ 1,724,310	\$ 5,913,696	\$ 3,281,059
Expenses				
Program	\$ 3,905,284	\$ -	\$ 3,905,284	\$ 3,773,931
Fundraising	13,695	-	13,695	14,477
Management and General	202,944	-	202,944	194,260
Loss on disposal	223,164	-	223,164	-
Total Expenses	\$ 4,345,088	\$ -	\$ 4,345,088	\$ 3,982,668
Net (Decrease) Increase in Net Assets	(155,702)	1,724,310	1,568,608	(701,609)
Net Assets, Beginning of Year	<u>1,071,774</u>	<u>11,591,337</u>	<u>12,663,111</u>	<u>13,364,720</u>
Net Assets, End of Year	<u>\$ 916,072</u>	<u>\$ 13,315,647</u>	<u>\$ 14,231,719</u>	<u>\$ 12,663,111</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, 2024
(with comparative totals for 2023)

	2024				2023
	Program	Fundraising	Management & General	Total	Total
Synod Administration					
Bishop Salary	\$ 37,824	\$ 5,403	\$ 10,807	\$ 54,034	62,573
Bishop Housing	31,500	4,500	9,000	45,000	31,286
Bishop Benefits	26,543	3,792	7,584	37,918	50,910
Associate/Director Evangelical Mission Salary	39,094	-	16,755	55,849	6,006
Associate Mobility/Candidacy Salary	28,000	-	7,000	35,000	77,581
Associate Mobility/Candidacy Social Security	5,026	-	1,257	6,283	5,935
Associate Mobility/Candldacy Benefits	29,551	-	7,388	36,939	39,457
Exec Staff Continuing Education	1,714	-	-	1,714	3,800
Exec Staff Travel	12,766	-	-	12,766	13,789
SDS Transportation Travel	23,424	-	-	23,424	19,136
Staff Salaries	94,552	-	46,571	141,123	131,473
Staff Benefits	26,566	-	13,085	39,651	38,839
Employer Social Security	5,982	-	2,947	8,929	8,714
Utilities, Cleaning, Etc. Reimbursed to Augustana	-	-	30,472	30,472	30,943
Supplies	-	-	16,286	16,286	16,826
Printing	-	-	1,108	1,108	1,291
Postage	-	-	3,061	3,061	3,122
Telephone	-	-	4,159	4,159	3,694
Equipment Maintenance/Rent	-	-	1,470	1,470	990
Insurance	-	-	31,466	31,466	26,886
Auditing	-	-	10,384	10,384	9,479
Hospitality	-	-	1,752	1,752	3,499
West River Office Rent	-	-	3,150	3,150	4,800
Synod Council Travel	-	-	959	959	1,485
Synod Council Hospitality	-	-	2,698	2,698	2,051
Other	-	-	538	538	322
Lutherans Outdoors Offset	-	-	(26,950)	(26,950)	(25,557)
Total Synod Administration	\$ 362,543	\$ 13,695	\$ 202,944	\$ 579,183	\$ 569,330
Synod Programs					
Support to Ministries Travel	\$ 441	\$ -	\$ -	\$ 441	\$ 1,682
Support to Ministries Hospitality	669	-	-	669	605
Candidacy Travel	3,364	-	-	3,364	768
Candidacy Hospitality	3,050	-	-	3,050	620
Candidacy Programs	5,018	-	-	5,018	2,668
Electronic Communications	3,567	-	-	3,567	4,009
Evangelical Outreach	1,500	-	-	1,500	-
Mission Table Strategy	2,000	-	-	2,000	-
Total Synod Programs	\$ 19,609	\$ -	\$ -	\$ 19,609	\$ 10,352
Synod Supported Ministries					
SD Ministries Support	\$ 11,987	\$ -	\$ -	\$ 11,987	\$ 15,358
Luther Seminary	68,165	-	-	68,165	69,721
Church Colleges	5,897	-	-	5,897	6,032
Lutheran Social Services	68,165	-	-	68,165	69,721
Lutherans Outdoors	33,996	-	-	33,996	34,772
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	\$ 246,512	\$ -	\$ -	\$ 246,512	\$ 253,906

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, 2024
(with comparative totals for 2023)

	2024				2023
	Program	Fundraising	Management & General	Total	Total
Synod Sustained Ministries					
Campus Ministry	\$ 120,200	\$ -	\$ -	\$ 120,200	\$ 122,944
Heartland Ephphatha	6,049	-	-	6,049	6,259
Lutheran Youth Organization	9,600	-	-	9,600	-
Campus Capital	1,030	-	-	1,030	-
Total Synod Sustained Ministries	\$ 136,879	\$ -	\$ -	\$ 136,879	\$ 129,203
Outreach Ministries					
Mission Congregation Startup	\$ 4,000	\$ -	\$ -	\$ 4,000	\$ -
Multicultural Center	16,998	-	-	16,998	23,889
Total Outreach Ministries	\$ 20,998	\$ -	\$ -	\$ 20,998	\$ 23,889
Region III	\$ 8,004	\$ -	\$ -	\$ 8,004	\$ 7,681
ELCA Ministries	\$ 737,098	\$ -	\$ -	\$ 737,098	\$ 747,498
Native American Ministries					
Salary	\$ 42,406	\$ -	\$ -	\$ 42,406	\$ 39,822
Housing	5,000	-	-	5,000	5,000
Benefits	34,366	-	-	34,366	40,399
Employer Social Security	3,028	-	-	3,028	2,828
Travel	9,672	-	-	9,672	9,233
Continuing Education	800	-	-	800	800
Total Native American Ministries	\$ 95,272	\$ -	\$ -	\$ 95,272	\$ 98,082
Synod Youth Ministry Coordinator					
Salary	\$ -	\$ -	\$ -	\$ -	\$ 2,250
Employer Social Security	-	-	-	-	172
Total Synod Youth Ministry Coordinator	\$ -	\$ -	\$ -	\$ -	\$ 2,422
Companion Synod Coordinator					
Salary	\$ 12,336	\$ -	\$ -	\$ 12,336	\$ 10,587
Employer Social Security	944	-	-	944	810
Benefits	4,029	-	-	4,029	3,140
Travel	999	-	-	999	1,000
Total Companion Synod Coordinator	\$ 18,308	\$ -	\$ -	\$ 18,308	\$ 15,537
Depreciation:					
Furniture and Equipment	\$ 19,723	\$ -	\$ -	\$ 19,723	\$ 19,374
Building	20,172	-	-	20,172	26,489
Total Depreciation	\$ 39,895	\$ -	\$ -	\$ 39,895	\$ 45,863
Other Program Distributions	\$ 103,818	\$ -	\$ -	\$ 103,818	\$ 119,472
Endowment and Program Distributions	\$ 2,116,348	\$ -	\$ -	\$ 2,116,348	\$ 1,959,433
Total Functional Expenses	\$ 3,905,284	\$ 13,695	\$ 202,944	\$ 4,121,924	\$ 3,982,668

See independent auditors' report and accompanying notes.

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

STATEMENT OF CASH FLOWS

JANUARY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,568,608	\$ (701,609)
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	39,895	45,863
Earnings reinvested	(687,927)	371,737
Loss on disposal	223,164	-
Endowment contributions	(1,311)	(180,815)
Changes in operating assets and liabilities:		
Accrued income	(527)	159
Accrued liabilities	-	(50)
Prepaid expense	-	(245)
Note receivable receipts	59,071	44,718
Accounts payable	(1,571)	4,041
Deferred income	(10,476)	(2,624)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	1,188,926	(418,825)
Cash Flows from Investing Activities		
Property and equipment purchases	(33,678)	-
Investment purchases	(1,667,053)	(626,088)
Investment sales	381,912	835,575
Sales proceeds	6,000	-
	<hr/>	<hr/>
Net cash (used) provided by investing activities	(1,312,819)	209,487
Cash Flows from Financing Activities		
Endowment contributions	1,311	180,815
Payments on long term borrowings	(59,071)	(44,718)
	<hr/>	<hr/>
Net cash (used) provided by financing activities	(57,760)	136,097
	<hr/>	<hr/>
Net change in cash	(181,653)	(73,241)
Cash and cash equivalents, Beginning of year	<hr/> 1,652,607	<hr/> 1,725,848
Cash and cash equivalents, End of year	<hr/> \$ 1,470,954	<hr/> \$ 1,652,607

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 6, 2024, the date which the financial statements were available to be issued.

b. Nature of Activities

The South Dakota Synod – Evangelical Lutheran Church in America (Organization) was organized for the purpose of providing oversight and support to the Evangelical Lutheran Church congregations and organizations in South Dakota. The Organization 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 (U.S. GAAP), 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. The Organization is not required to file a federal income tax return as the Organization is a religious entity exempt from filing a tax return.

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. All outstanding notes were repaid during the year ending January 31, 2024.

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, which is a reasonable approximation of fair value because options for the real estate are at cost/fair value on the date of donation.

o. Comparative Data

The amounts shown for the year ended January 31, 2023 in the accompanying financial statements are included to provide a basis for comparison with 2024 and present summarized totals only. Accordingly, the 2023 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2023, from which the summarized information was derived.

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

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

2. ENDOWMENTS (CONTINUED)

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.

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, 2024 and 2023 are as follows:

Endowment net assets, January 31, 2022	\$ 10,995,393
Contributions	180,815
Investment Income, net of investment expenses	139,337
Realized and unrealized gains	(717,128)
Amount appropriated for expenditures	<u>(161,578)</u>
Endowment net assets, January 31, 2023	\$ 10,436,839
Contributions	1,311
Investment Income, net of investment expenses	388,598
Realized and unrealized losses	367,815
Amount appropriated for expenditures	<u>(400,558)</u>
Endowment net assets, January 31, 2024	\$ <u>10,794,005</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, 2024 and 2023 are as follows:

Financial Assets:	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,470,954	\$ 1,652,607
ELCA investment certificates	1,851,530	432,172
Equity securities	7,129,373	6,615,449
Debt securities	1,607,684	1,567,653
Cash surrender value annuity	-	-
Note receivable	-	59,071
Other Assets	<u>1,087</u>	<u>805</u>
Total Financial Assets	<u>12,060,628</u>	<u>10,327,757</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose restricted-net assets	2,521,642	1,154,498
Donor-restricted quasi-endowment funds	127,120	138,097
Donor-restricted endowment funds	<u>8,872,868</u>	<u>8,504,725</u>
Financial Assets Held to Meet Donor Restrictions	<u>11,521,630</u>	<u>9,797,320</u>
Less Financial Assets not available within One Year:		
Board designated net assets	<u>350,632</u>	<u>288,334</u>
Amounts Available for General Expenditure within One Year	<u>\$ 188,366</u>	<u>\$ 242,103</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 \$2,509 from February 2023 to January 2024. The Organization may vacate the premises in their sole discretion. There is no penalty for cancellation, thus no right of use assets or lease liability recorded.

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

5. 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 \$0 and \$59,071 was outstanding as of January 31, 2024 and 2023. As the Organization does not need to maintain a line of credit for operating needs, the Organization chose to close the loan.

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 \$63,400 and \$56,223 for January 31, 2024 and 2023 respectively.

7. NET ASSETS – WITH DONOR RESTRICTION

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

	<u>2024</u>	<u>2023</u>
Purpose Restrictions:		
South Dakota Ministries	\$ 499,170	\$ 277,640
Gifts/Grants Pass Through	636,076	585,904
Synod Program Ministries	54,754	116,254
Synod Executive Staff	43,389	51,552
Companion Synods	58,598	50,352
Listen! God is Calling Appeal	94,315	72,796
Lily Endowment	1,135,340	-
Donor Restricted Quasi-Endowment Fund	127,120	138,097
Donor Restricted Endowment Funds	<u>10,666,885</u>	<u>10,298,742</u>
	<u>\$ 13,315,647</u>	<u>\$ 11,591,337</u>

8. BOARD DESIGNATED NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Without donor restriction:		
Synod Office	\$ 114,145	\$ 89,145
Projects/Programs	96,778	58,686
Task Forces	4,735	3,985
Extraordinary Gifts	92,909	94,453
Pine Ridge	<u>42,065</u>	<u>42,065</u>
	<u>\$ 350,632</u>	<u>\$ 288,334</u>

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

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, 2022	\$ 11,817	\$ 22,573
Net change FY23	<u>(5,908)</u>	<u>3,284</u>
January 31, 2023	\$ 5,909	\$ 25,857
Net change FY24	<u>(5,909)</u>	<u>(4,567)</u>
January 31, 2024	<u>\$ -</u>	<u>\$ 21,290</u>

10. INVESTMENTS

The fair value of investments as of January 31, 2024 and 2023 was as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable equity securities:				
ELCA pooled trust	\$ 4,013,826	\$ 4,576,909	\$ 3,895,834	\$ 4,272,588
Equity mutual funds	1,373,132	1,874,919	1,317,514	1,670,293
International equity mutual funds	<u>549,249</u>	<u>677,544</u>	<u>555,071</u>	<u>672,568</u>
Total marketable equity securities	<u>5,936,207</u>	<u>7,129,373</u>	<u>5,768,419</u>	<u>6,615,449</u>
Marketable debt securities:				
Corporate debt securities	279,237	271,480	332,870	320,379
Fixed income mutual funds	1,336,447	1,230,649	1,202,760	1,137,603
Municipal bonds	<u>110,114</u>	<u>105,556</u>	<u>115,154</u>	<u>109,671</u>
Total marketable debt securities	<u>1,725,798</u>	<u>1,607,684</u>	<u>1,650,784</u>	<u>1,567,653</u>
Real estate	<u>1,501,052</u>	<u>1,794,017</u>	<u>1,501,052</u>	<u>1,794,017</u>
	<u>\$9,163,057</u>	<u>\$10,531,074</u>	<u>\$8,920,255</u>	<u>\$9,977,119</u>

Investment income for the year ended January 31, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Investment income		
Interest and dividends	\$ 376,749	\$ 355,325
Realized gains	<u>22,753</u>	<u>46,777</u>
	<u>399,502</u>	<u>402,102</u>
Unrealized gains		
Unrealized (loss) gain	345,062	(763,905)
Increase in cash surrender value of annuity	<u>-</u>	<u>544</u>
	<u>345,062</u>	<u>(763,361)</u>
Total investment income	\$ <u>744,564</u>	\$ <u>(361,259)</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, 2024			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
ELCA pooled trust	\$ 4,576,909	\$ -	\$ -	\$ 4,576,909
Equity mutual funds	1,874,919	-	-	1,874,919
International equity mutual funds	677,544	-	-	677,544
Marketable debt securities:				
Corporate debt securities	-	271,480	-	271,480
Fixed income mutual fund	-	1,230,649	-	1,230,649
Municipal bonds	-	105,556	-	105,556
Real estate	-	-	1,794,017	1,794,017
	<u>\$ 7,129,373</u>	<u>\$ 1,607,684</u>	<u>\$ 1,794,017</u>	<u>\$ 10,531,074</u>
	January 31, 2023			
	Level 1	Level 2	Level 3	Total
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
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>

The following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used.

The mutual funds and exchanged traded products are held with professionally managed investment brokerage firms and are recorded at fair value based on quoted prices in active markets.

Investments at the ELCA Mission Investment Fund (MIF) consist of interest-bearing term instruments and are carried at cost, which approximates market value, and are uninsured. These investments are solely the obligation of MIG, a separate corporation from the ELCA. MIF uses proceeds from sale of its securities primarily to provide financing to ELCA congregations for specified purposes. There are no known restrictions on redemption of these investments.

The ELCA Endowment Fund A is a component of the ELCA Endowment Fund Pooled Trust. Participants are assigned share units according to the Fund's unit value at the time the investment is received. The Fund is managed and invested by professional advisors. The Fund is structured to provide participants with a stable, quarterly stream of distributable income that grows over time approximately in line with the expected long-term rate of inflation. The Fund also seeks to provide participants with long-term capital appreciation.

SOUTH DAKOTA SYNOD**EVANGELICAL LUTHERAN CHURCH IN AMERICA****NOTES TO FINANCIAL STATEMENTS****11. FAIR VALUE OF INVESTMENTS (CONTINUED)**

Investments in the ELCA Endowment Fund A are carried at fair value based on the reported market value per unit held. These investments are solely the obligation of the CLA Foundation, a separate corporation from the ELCA. There are no known restrictions on redemption of these investments.

12. DEPARTURE FROM U.S. 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.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

SCHEDULES OF CHANGES IN BOARD DESIGNATED NET ASSETS

JANUARY 31, 2024 AND 2023

	Balance <u>1/31/2023</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2024</u>
Without Donor Restrictions					
Occupancy Upkeep & Repairs	\$ 14,982	\$ -	\$ -	\$ -	\$ 14,982
Office Equipment	4,793	-	-	-	4,793
Bishop Election/Transition	69,370	25,000	-	-	94,370
Stewardship Projects	6,963	300	4,595	-	2,668
Rural Ministry	3,133	46,181	8,154	-	41,160
Continuing Education Events	18,737	14,512	12,370	-	20,879
Fall Theological Conference	16,154	11,153	9,790	-	17,517
Systems	790	325	110	-	1,005
Synod Assembly Fund	12,907	57,047	56,407	-	13,547
Multi-Cultural Ministry	3,984	750	-	-	4,734
Reserves	20,000	-	-	-	20,000
Rural Ministry Accompaniment	8,452	848	1,696	-	7,604
Box Elder New Site Development	31,000	10,000	8,000	-	33,000
Two by two	6,000	-	2,696	-	3,304
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>\$ 288,334</u>	<u>\$ 166,116</u>	<u>\$ 103,818</u>	<u>\$ -</u>	<u>\$ 350,632</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, 2024 AND 2023

	Balance 1/31/2023	Gifts Received	Expenditures	Transfers	Balance 1/31/2024
With Donor Restrictions					
Pine Ridge/Lutheran Lakota Ministry	\$ 50,322	\$ 449,767	\$ 251,208	\$ -	\$ 248,881
Lutheran Lakota Job Corp	16,722	76,423	99,035	-	(5,890)
Pine Ridge Youth Position	4,049	38,248	39,120	-	3,177
Heartland Ephphatha	-	1,192	1,192	-	-
Youth Ministry	18,528	9,255	377	-	27,406
Campus Min Capital Reserves	6,140	1,030	-	-	7,170
Pine Ridge Immersion Coordinator	-	28,724	33,623	-	(4,899)
Woyatan Multicultural	18,114	51,748	17,594	-	52,268
PRRC Vocational Fellowship Grant	-	12,800	10,667	-	2,133
Marty's Mug	513	-	204	-	309
Spring Theological Conference	14,774	10,512	12,208	-	13,078
SD Ministries Support	39,696	11,987	21,057	-	30,626
Farm to Table	74,678	29,678	13,344	-	91,012
ATC/WELCA Donations	170	520	690	-	-
Sudan Centennial Celebration	-	16,445	16,445	-	-
LDR Grant	4,796	-	-	-	4,796
Seminary Debt Reduction Fund	43,592	20,698	63,520	-	770
Seminary Scholarship Fund	120,929	196,882	82,640	-	235,171
CIS/NIS	49,894	81,414	106,285	-	25,023
COVID 19 Grant	400	-	-	-	400
Native American Sem Scholarship	101,533	-	12,000	-	89,533
C Engen Seminary Scholarship	-	73,523	13,697	-	59,826
Synod Assembly Offering	-	8,626	8,626	-	-
Endowment Distributions	109,274	59,043	65,838	-	102,479
Monthly Pass-Through	152,442	125,866	165,380	-	112,928
Pueblo de Dios	35	81,667	81,702	-	-

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, 2024 AND 2023

	Balance <u>1/31/2023</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2024</u>
With Donor Restricted (Continued)					
SF Area Ministry Strategy	\$ 33,896	\$ -	\$ -	\$ -	\$ 33,896
Sprinkles of Grace	-	10,000	8,100	-	1,900
SD Synod Hunger Grants	\$ -	705	-	-	705
May 2022 Storm Disaster	3,045	1,000	1,500	-	2,545
Select Learning	4,306	15,825	17,978	-	2,153
Seminary Resource Recruiter	111,949	18,731	78,079	-	52,601
Peace Fund/Good Samaritan Fund	23,087	5,010	6,000	-	22,097
Bishops Discretionary Fund	8,797	2,666	5,431	-	6,032
Exec Staff Cont Education	19,669	-	4,408	-	15,261
Cameroon Projects	21,028	21,885	21,042	-	21,871
Nicaragua Projects	13,872	73,372	65,422	-	21,822
Comp Synods-Traveling To	307	23,253	22,863	-	697
Comp Synods-Traveling From	28	-	-	-	28
Train Up A Child	3,043	5,092	7,722	-	413
Cameroon Roofs	8,000	53,871	61,071	-	800
Nicaragua Missionary IFLE	4,073	8,893	-	-	12,966
Listen, God is Calling (Donations)	2,770,156	2,995	-	-	2,773,151
Listen, God is Calling (Expenses)	(447,564)	-	-	-	(447,564)
Allocation of Listen, God is Calling Cash Gifts	(2,317,000)	-	-	(6,960)	(2,323,960)
Lifelong Academy	32,958	10,632	8,018	6,960	42,532
Rostered Leader Recruitment	-	16,856	16,856	-	-
Endowment - Support Initiative	-	-	-	-	-
New & Renewing Congregations	34,247	21,672	5,760	-	50,159
Lilly Grant	-	1,147,384	250,086	-	897,298
Digital Comm & Learning	-	77,593	4,485	-	73,108
Rural Immersion	-	83,493	7,359	-	76,134
Rural Liaisons	-	47,700	-	-	47,700
Admin Assistant	-	26,000	-	-	26,000
Activities	-	4,800	200	-	4,600
Equipment/Office Exp	-	10,500	-	-	10,500
Total With Donor Restrictions	<u>\$ 1,154,498</u>	<u>\$ 3,075,976</u>	<u>\$ 1,708,832</u>	<u>\$ -</u>	<u>\$ 2,521,642</u>

See independent auditors' report and accompanying notes.