

**SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
JANUARY 31, 2025 (WITH COMPARATIVE TOTALS FOR
2024)**

**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, 2025, and the related statements of activities and changes in net assets, 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, 2025, 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 11 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.

Daceline Accounting Group, LLP

Sioux Falls, South Dakota
April 25, 2025

SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION

JANUARY 31, 2025
(with comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents		
Interest bearing	\$ 877,377	\$ 1,313,423
Restricted cash and cash equivalents	187,820	157,531
Investment certificates (Notes 9 & 10)	3,133,836	1,851,530
Equity securities (Notes 9 & 10)	7,694,437	7,129,373
Debt securities (Notes 9 & 10)	1,765,586	1,607,684
Accrued income	14,104	1,087
Property and equipment		
Building and improvements	1,000,413	1,000,413
Furniture and equipment	263,438	263,438
Less-accumulated depreciation	(900,165)	(861,468)
Real estate	<u>1,912,166</u>	<u>1,794,017</u>
 Total assets	 <u>\$ 15,949,012</u>	 <u>\$ 14,257,028</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 5,251	\$ 3,989
Accrued liabilities	30	30
Deferred income	<u>28,919</u>	<u>21,290</u>
 Total liabilities	 34,200	 25,309
Net assets		
Without donor restrictions	865,028	916,072
With donor restrictions	<u>15,049,784</u>	<u>13,315,647</u>
 Total net assets	 <u>15,914,812</u>	 <u>14,231,719</u>
 Total liabilities and net assets	 <u>\$ 15,949,012</u>	 <u>\$ 14,257,028</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, 2025
(with comparative totals for 2024)

	2025			2024
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues, Gifts and Other Support				
Contributions				
Congregational Benevolence	\$ 1,662,244	\$ -	\$ 1,662,244	\$ 1,706,609
Gifts Without Donor Restrictions	165,748	-	165,748	166,116
Gifts With Donor Restrictions	-	3,082,949	3,082,949	3,084,245
Investment Return, net	79,860	1,263,250	1,343,110	744,564
SD Synod Mission Support	28,042	-	28,042	27,877
SDS Travel LLC Income	1,683	-	1,683	2,500
Pine Ridge Ministry	45,000	-	45,000	45,000
DEM Support Staff	10,000	-	10,000	10,000
Other	52,171	65,665	117,836	126,785
Net assets released from restrictions	<u>2,677,727</u>	<u>(2,677,727)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gifts and Other Support	\$ 4,722,475	\$ 1,734,137	\$ 6,456,612	\$ 5,913,696
Expenses				
Program	\$ 4,486,256	\$ -	\$ 4,486,256	\$ 3,905,285
Fundraising	14,407	-	14,407	13,695
Management and General	272,857	-	272,857	202,944
Loss on disposal	-	-	-	223,164
Total Expenses	\$ 4,773,519	\$ -	\$ 4,773,519	\$ 4,345,088
Net (Decrease) Increase in Net Assets	(51,044)	1,734,137	1,683,093	1,568,608
Net Assets, Beginning of Year	<u>916,072</u>	<u>13,315,647</u>	<u>14,231,719</u>	<u>12,663,111</u>
Net Assets, End of Year	<u>\$ 865,028</u>	<u>\$ 15,049,784</u>	<u>\$ 15,914,812</u>	<u>\$ 14,231,719</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JANUARY 31, 2025
(with comparative totals for 2024)

	2025				2024
	Program	Fundraising	Management & General	Total	Total
Synod Administration					
Bishop Salary	\$ 48,978	\$ 6,997	\$ 13,994	\$ 69,968	54,034
Bishop Housing	24,489	3,498	6,997	34,984	45,000
Bishop Benefits	27,381	3,912	7,823	39,115	37,918
Associate/Director Evangelical Mission Salary	8,817	-	3,779	12,596	8,717
Associate Mobility/Candidacy Salary	53,866	-	13,467	67,333	47,132
Associate Mobility/Candidacy Housing	16,000	-	4,000	20,000	35,000
Associate Mobility/Candidacy Social Security	5,345	-	1,336	6,681	6,283
Associate Mobility/Candidacy Benefits	20,762	-	5,190	25,952	36,939
Exec Staff Continuing Education	1,116	-	-	1,116	1,714
Exec Staff Travel	10,808	-	-	10,808	12,766
SDS Transportation Travel	43,522	-	-	43,522	23,424
Staff Salaries	99,983	-	49,245	149,228	141,123
Staff Benefits	27,571	-	13,580	41,150	39,651
Employer Social Security	6,382	-	3,144	9,526	8,929
Utilities, Cleaning, Etc. Reimbursed to Augustana	-	-	31,386	31,386	30,472
Supplies	-	-	17,090	17,090	16,286
Printing	-	-	1,427	1,427	1,108
Postage	-	-	3,016	3,016	3,061
Telephone	-	-	4,352	4,352	4,159
Equipment Maintenance/Rent	-	-	4,561	4,561	1,470
Insurance	-	-	64,137	64,137	31,466
Auditing	-	-	11,682	11,682	10,384
Hospitality	-	-	1,411	1,411	1,752
West River Office Rent	-	-	-	-	3,150
Synod Council Travel	-	-	151	151	959
Synod Council Hospitality	-	-	3,156	3,156	2,698
Other	-	-	19,045	19,045	538
Lutherans Outdoors Offset	-	-	(11,111)	(11,111)	(26,950)
Total Synod Administration	\$ 395,019	\$ 14,407	\$ 272,857	\$ 682,282	\$ 579,183
Synod Programs					
Support to Ministries Travel	\$ 95	\$ -	\$ -	\$ 95	\$ 441
Support to Ministries Hospitality	714	-	-	714	669
Candidacy Travel	1,987	-	-	1,987	3,364
Candidacy Hospitality	1,354	-	-	1,354	3,050
Candidacy Programs	5,204	-	-	5,204	5,018
Electronic Communications	4,431	-	-	4,431	3,567
Evangelical Outreach	-	-	-	-	1,500
Mission Table Strategy	-	-	-	-	2,000
Total Synod Programs	\$ 13,785	\$ -	\$ -	\$ 13,785	\$ 19,609
Synod Supported Ministries					
SD Ministries Support	\$ 11,778	\$ -	\$ -	\$ 11,778	\$ 11,987
Luther Seminary	66,428	-	-	66,428	68,165
Church Colleges	5,747	-	-	5,747	5,897
Lutheran Social Services	66,428	-	-	66,428	68,165
Lutherans Outdoors	33,130	-	-	33,130	33,996
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	\$ 241,813	\$ -	\$ -	\$ 241,813	\$ 246,512

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, 2025
(with comparative totals for 2024)

	2025				2024
	Program	Fundraising	Management & General	Total	Total
Synod Sustained Ministries					
Campus Ministry	\$ 117,137	\$ -	\$ -	\$ 117,137	\$ 120,200
Heartland Ephphatha	5,747	-	-	5,747	6,049
Lutheran Youth Organization	-	-	-	-	9,600
Campus Capital	-	-	-	-	1,030
Total Synod Sustained Ministries	\$ 122,884	\$ -	\$ -	\$ 122,884	\$ 136,879
Outreach Ministries					
Mission Congregation Startup	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Multicultural Center	19,250	-	-	19,250	16,998
Total Outreach Ministries	\$ 19,250	\$ -	\$ -	\$ 19,250	\$ 20,998
Region III	\$ 9,153	\$ -	\$ -	\$ 9,153	\$ 8,004
ELCA Ministries	\$ 698,143	\$ -	\$ -	\$ 698,143	\$ 737,098
Native American Ministries					
Salary	\$ 45,358	\$ -	\$ -	\$ 45,358	\$ 42,406
Housing	5,000	-	-	5,000	5,000
Benefits	34,419	-	-	34,419	34,366
Employer Social Security	3,267	-	-	3,267	3,028
Travel	9,223	-	-	9,223	9,672
Continuing Education	800	-	-	800	800
Total Native American Ministries	\$ 98,067	\$ -	\$ -	\$ 98,067	\$ 95,272
Companion Synod Coordinator					
Salary	\$ 13,113	\$ -	\$ -	\$ 13,113	\$ 12,336
Employer Social Security	961	-	-	961	944
Benefits	4,233	-	-	4,233	4,029
Travel	451	-	-	451	999
Total Companion Synod Coordinator	\$ 18,758	\$ -	\$ -	\$ 18,758	\$ 18,308
Depreciation:					
Furniture and Equipment	\$ 23,685	\$ -	\$ -	\$ 23,685	\$ 19,723
Building	15,011	-	-	15,011	20,172
Total Depreciation	\$ 38,696	\$ -	\$ -	\$ 38,696	\$ 39,895
Other Program Distributions	\$ 152,961	\$ -	\$ -	\$ 152,961	\$ 103,818
Endowment and Program Distributions	\$ 2,677,727	\$ -	\$ -	\$ 2,677,727	\$ 2,116,348
Total Functional Expenses	\$ 4,486,256	\$ 14,407	\$ 272,857	\$ 4,773,519	\$ 4,121,924

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF CASH FLOWS

JANUARY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,683,093	\$ 1,568,608
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	38,696	39,895
Earnings reinvested	(1,262,706)	(687,927)
Loss on disposal	-	223,164
Endowment contributions	(63,949)	(1,311)
Changes in operating assets and liabilities:		
Accrued income	(13,017)	(527)
Note receivable receipts	-	59,071
Accounts payable	1,262	(1,571)
Deferred income	<u>7,629</u>	<u>(10,476)</u>
 Net cash provided by operating activities	 391,008	 1,188,926
Cash Flows from Investing Activities		
Property and equipment purchases	-	(33,678)
Investment purchases	(1,980,250)	(1,667,053)
Investment sales	1,119,536	381,912
Sales proceeds	<u>-</u>	<u>6,000</u>
 Net cash used by investing activities	 (860,714)	 (1,312,819)
Cash Flows from Financing Activities		
Endowment contributions	63,949	1,311
Payments on long term borrowings	<u>-</u>	<u>(59,071)</u>
 Net cash provided (used) by financing activities	 <u>63,949</u>	 <u>(57,760)</u>
 Net change in cash	 (405,757)	 (181,653)
 Cash, cash equivalents, restricted cash, and restricted cash equivalents		
Beginning of year	<u>1,470,954</u>	<u>1,652,607</u>
 Cash, cash equivalents, restricted cash, and restricted cash equivalents End of year	 <u>\$ 1,065,197</u>	 <u>\$ 1,470,954</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 April 25, 2025, 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 and change in net assets 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 income 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, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

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

g. Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents (continued)

	<u>2025</u>	<u>2024</u>
Cash and cash equivalent interest bearing	\$ 877,377	\$ 1,313,423
Restricted cash and cash equivalents	<u>187,820</u>	<u>157,531</u>
Totals	<u>\$ 1,065,197</u>	<u>\$ 1,470,954</u>

h. 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.

i. Income Taxes

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

j. Fair Value Measurements

As outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* (ASC) 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

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

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

k. 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)

l. 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.

m. Comparative Data

The amounts shown for the year ended January 31, 2024 in the accompanying financial statements are included to provide a basis for comparison with 2025 and present summarized totals only. Accordingly, the 2024 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, 2024, 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 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, 2025 and 2024 are as follows:

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>
Contributions	63,949
Investment Income, net of investment expenses	466,210
Realized and unrealized losses	864,330
Amount appropriated for expenditures	<u>(536,174)</u>
Endowment net assets, January 31, 2025	\$ <u>11,652,320</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, 2025 and 2024 are as follows:

Financial Assets:	2025	2024
Cash and cash equivalents	\$ 1,065,197	\$ 1,470,954
ELCA investment certificates	3,133,836	1,851,530
Equity securities	7,694,437	7,129,373
Debt securities	1,765,586	1,607,684
Accrued income	14,104	1,087
Total Financial Assets	<u>13,673,160</u>	<u>12,060,628</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose restricted-net assets	3,397,462	2,521,642
Donor-restricted quasi-endowment funds	125,060	127,120
Donor-restricted endowment funds	<u>9,615,096</u>	<u>8,872,868</u>
Financial Assets Held to Meet Donor Restrictions	<u>13,137,618</u>	<u>11,521,630</u>
Less Financial Assets not available within One Year:		
Board designated net assets	<u>363,417</u>	<u>350,632</u>
Amounts Available for General Expenditure within One Year	<u>\$ 172,125</u>	<u>\$ 188,366</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 \$2,662 from February 2024 to January 2025. 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. Occupancy is increased annually by the consumer price index based on the prior twelve months.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN

The Organization participates in the pension plan administered by the Evangelical Lutheran Church in America which covers religious and lay personnel. Total pension plan expense was \$58,766 and \$63,400 for January 31, 2025 and 2024 respectively.

6. NET ASSETS – WITH DONOR RESTRICTION

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

	<u>2025</u>	<u>2024</u>
Purpose Restrictions:		
South Dakota Ministries	\$ 267,340	\$ 499,170
Gifts/Grants Pass Through	657,431	636,076
Synod Program Ministries	55,799	54,754
Synod Executive Staff	42,306	43,389
Companion Synods	47,502	58,598
Listen! God is Calling Appeal	101,002	94,315
Lilly Endowment 1.0	991,718	1,135,340
Lilly Endowment 2.0	1,234,364	-
Donor Restricted Quasi-Endowment Fund	125,060	127,120
Donor Restricted Endowment Funds	<u>11,527,262</u>	<u>10,666,885</u>
	<u>\$ 15,049,784</u>	<u>\$ 13,315,647</u>

7. BOARD DESIGNATED NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Without donor restriction:		
Synod Office	\$ 143,152	\$ 114,145
Projects/Programs	116,373	96,778
Task Forces	4,735	4,735
Extraordinary Gifts	57,092	92,909
Pine Ridge	<u>42,065</u>	<u>42,065</u>
	<u>\$ 363,417</u>	<u>\$ 350,632</u>

8. DEFERRED INCOME

Income from vehicle contract and prepaid program fees are:

	<u>Deferred Revenue on Lease Contract</u>	<u>Prepaid program fees</u>
January 31, 2023	\$ 5,909	\$ 25,857
Net change FY24	<u>(5,909)</u>	<u>(4,567)</u>
January 31, 2024	\$ -	\$ 21,290
Net change FY25	<u>-</u>	<u>7,629</u>
January 31, 2025	<u>\$ -</u>	<u>\$ 28,919</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

9. INVESTMENTS

The fair value of investments as of January 31, 2025 and 2024 was as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable equity securities:				
ELCA pooled trust	\$ 3,978,108	\$ 4,966,162	\$ 4,013,826	\$ 4,576,909
Equity mutual funds	1,275,371	2,028,438	1,373,132	1,874,919
International equity mutual funds	<u>532,848</u>	<u>699,837</u>	<u>549,249</u>	<u>677,544</u>
Total marketable equity securities	<u>5,786,327</u>	<u>7,694,437</u>	<u>5,936,207</u>	<u>7,129,373</u>
Marketable debt securities:				
Corporate debt securities	229,804	223,807	279,237	271,480
Fixed income mutual funds	1,518,113	1,440,131	1,336,447	1,230,649
Municipal bonds	<u>105,073</u>	<u>101,648</u>	<u>110,114</u>	<u>105,556</u>
Total marketable debt securities	<u>1,852,990</u>	<u>1,765,586</u>	<u>1,725,798</u>	<u>1,607,684</u>
Certificates of deposit	3,133,836	3,133,836	1,851,530	1,851,530
Real estate	<u>1,501,052</u>	<u>1,912,166</u>	<u>1,501,052</u>	<u>1,794,017</u>
	<u>\$12,274,205</u>	<u>\$14,506,025</u>	<u>\$11,014,587</u>	<u>\$12,382,604</u>

Investment income for the year ended January 31, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Investment income		
Interest and dividends	\$ 420,538	\$ 376,749
Realized gains	<u>58,242</u>	<u>22,753</u>
	<u>478,780</u>	<u>399,502</u>
Unrealized gains	<u>864,330</u>	<u>345,062</u>
Total investment income	\$ <u>1,343,110</u>	\$ <u>744,564</u>

10. FAIR VALUE OF INVESTMENTS

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

	<u>January 31, 2025</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities:				
ELCA pooled trust	\$ -	\$ 4,966,162	\$ -	\$ 4,966,162
Equity mutual funds	2,028,438	-	-	2,028,438
International equity mutual funds	699,837	-	-	699,837
Marketable debt securities:				
Corporate debt securities	-	223,807	-	223,807
Fixed income mutual fund	-	1,440,131	-	1,440,131
Municipal bonds	-	101,648	-	101,648
Certificates of deposit	3,133,836	-	-	3,133,836
Real estate	-	-	<u>1,912,166</u>	<u>1,912,166</u>
	<u>\$ 5,862,111</u>	<u>\$ 6,731,748</u>	<u>\$ 1,912,166</u>	<u>\$ 14,506,025</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

10. FAIR VALUE OF INVESTMENTS (CONTINUED)

	January 31, 2024			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Certificates of deposit	1,851,530	-	-	1,851,530
Real estate	-	-	1,794,017	1,794,017
	<u>\$ 8,980,903</u>	<u>\$ 1,607,684</u>	<u>\$ 1,794,017</u>	<u>\$ 12,382,604</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 MIF, 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.

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.

11. 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 NON-ENDOWED NET ASSETS WITHOUT DONOR RESTRICTIONS

JANUARY 31, 2025

	Balance 1/31/2024	Gifts Received	Expenditures	Transfers	Balance 1/31/2025
Without Donor Restrictions					
Occupancy Upkeep & Repairs	\$ 14,982	\$ -	\$ -	\$ -	\$ 14,982
Office Equipment	4,793	-	992	-	3,801
Bishop Election/Transition	94,370	30,000	-	-	124,370
Stewardship Projects	2,668	-	50	-	2,618
Rural Ministry	41,160	14,455	601	-	55,014
Continuing Education Events	20,879	14,275	16,548	-	18,606
Fall Theological Conference	17,517	10,070	12,245	-	15,342
Systems	1,005	-	135	-	870
Synod Assembly Fund	13,547	67,005	56,632	-	23,920
Multi-Cultural Ministry	4,734	-	-	-	4,734
Reserves	20,000	-	20,000	-	-
Rural Ministry Accompaniment	7,604	-	7,604	-	-
Box Elder New Site Development	33,000	1,537	42	-	34,495
Two by two	3,304	28,104	15,212	-	16,196
Dialog Works-Engageing God's Future	5,000	-	5,000	-	-
Non Traditional Internship Site	4,000	-	4,000	-	-
DWU Leadership	10,000	300	3,900	-	6,400
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	\$ 350,632	\$ 165,746	\$ 152,961	\$ -	\$ 363,417

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

SCHEDULES OF CHANGES NON-ENDOWED NET ASSETS WITH DONOR RESTRICTIONS

JANUARY 31, 2025

	Balance 1/31/2024	Gifts Received	Expenditures	Transfers	Balance 1/31/2025
With Donor Restrictions					
Pine Ridge/Lutheran Lakota Ministry	\$ 248,881	\$ 160,572	\$ 364,002	\$ -	\$ 45,451
Lutheran Lakota Job Corp	(5,890)	89,336	83,446	-	-
Pine Ridge Youth Position	3,177	19,737	22,914	-	-
Youth Ministry	27,406	565	10,502	-	17,469
Campus Min Capital Reserves	7,170	-	-	-	7,170
Pine Ridge Immersion Coordinator	(4,899)	35,587	30,688	-	-
Woyatan Multicultural	52,268	7,796	60,064	-	-
PRRC Vocational Fellowship Grant	2,133	12,800	14,933	-	-
Marty's Mug	309	-	204	-	105
Spring Theological Conference	13,078	8,698	8,328	-	13,448
SD Ministries Support	30,626	11,778	28,635	-	13,769
Farm to Table	91,012	82,306	37,284	-	136,034
ATC/WELCA Donations	-	120	120	-	-
LDR Grant	4,796	-	-	-	4,796
Seminary Debt Reduction Fund	770	122,215	122,985	-	-
Seminary Scholarship Fund	235,171	100,044	81,532	-	253,683
CIS/NIS	25,023	72,134	74,891	-	22,266
COVID 19 Grant	400	-	-	-	400
Native American Sem Scholarship	89,533	-	7,744	-	81,789
C Engen Seminary Scholarship	59,826	78,917	54,507	-	84,236
Synod Assembly Offering	-	6,847	6,847	-	-
Endowment Distributions	102,479	82,760	70,563	-	114,676
Monthly Pass-Through	112,928	182,119	217,277	-	77,770
Pueblo de Dios	-	87,386	87,386	-	-

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

SCHEDULES OF CHANGES NON-ENDOWED NET ASSETS WITH DONOR RESTRICTIONS

JANUARY 31, 2025

	Balance 1/31/2024	Gifts Received	Expenditures	Transfers	Balance 1/31/2025
With Donor Restricted (Continued)					
SF Area Ministry Strategy	\$ 33,896	\$ -	\$ -	\$ -	\$ 33,896
Sprinkles of Grace	1,900	10,000	6,500	-	5,400
SD Synod Hunger Grants	705	887	500	-	1,092
May 2022 Storm Disaster	2,545	44,275	35,500	-	11,320
Select Learning	2,153	6,459	8,612	-	-
Seminary Resource Recruiter	52,601	21,953	18,755	-	55,799
Peace Fund/Good Samaritan Fund	22,097	2,550	2,000	-	22,647
Bishops Discretionary Fund	6,032	2,179	1,633	-	6,578
Exec Staff Cont Education	15,261	-	2,178	-	13,083
Cameroon Projects	21,871	26,944	32,491	-	16,324
Nicaragua Projects	21,822	29,916	36,203	-	15,535
Comp Synods-Traveling To	697	-	-	-	697
Comp Synods-Traveling From	28	-	-	-	28
Train Up A Child	413	4,194	2,194	-	2,413
Cameroon Roofs	800	3,369	3,575	-	594
Nicaragua Missionary IFLE	12,966	3,426	4,482	-	11,910
Listen, God is Calling (Donations)	2,773,151	2,239	3,866	(2,771,524)	-
Listen, God is Calling (Expenses)	(447,564)	-	-	447,564	-
Allocation of Listen, God is Calling Cash Gifts	(2,323,960)	-	-	2,323,960	-
Lifelong Academy	42,532	16,406	11,519	-	47,419
Rostered Leader Recruitment	-	21,953	21,953	-	-
New & Renewing Congregations	50,159	28,225	24,801	-	53,583
Lilly Grant 1.0	897,298	79,744	344,583	-	632,459
Digital Comm & Learning	73,108	79,747	93,987	-	58,868
Rural Immersion	76,134	85,647	79,634	-	82,147
Rural Liaisons	47,700	95,400	6,091	-	137,009
Admin Assistant	26,000	26,780	50	-	52,730
Activities	4,600	20,426	3,432	-	21,594
Equipment/Office Exp	10,500	8,500	12,089	-	6,911
Lilly Grant 2.0	-	1,234,364	-	-	1,234,364
Total With Donor Restrictions	\$ 2,521,642	\$ 3,017,300	\$ 2,141,480	\$ -	\$ 3,397,462

See independent auditors' report and accompanying notes.