

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

**JANUARY 31, 2026 (WITH COMPARATIVE TOTALS FOR
2025)**

Paceline

CERTIFIED PUBLIC ACCOUNTANTS | LLP

ACCOUNTING
GROUP

**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, 2026, 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, 2026, 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 Schedules of Changes in Non-Endowed Net Assets without Donor Restrictions and Schedules of Changes in Non-Endowed 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.

Other-Matter — Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended January 31, 2025 is presented for purposes of comparison and does not purport to present fairly the financial position, changes in net assets, functional expenses, or cash flows of the Organization in conformity with accounting principles generally accepted in the United States of America. We have previously audited the Organization's financial statements as of and for the year ended January 31, 2025, and we expressed an opinion on those financial statements in our report dated April 25, 2025. Our opinion on the current-year financial statements does not

cover the summarized comparative information, and we do not express an opinion or any other form of assurance on it.

Paceline Accounting Group, LLP

Sioux Falls, South Dakota
April 27, 2026

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

JANUARY 31, 2026
(with comparative totals for 2025)

	<u>2026</u>	<u>2025</u>
ASSETS		
Cash and cash equivalents		
Interest bearing	\$ 714,051	\$ 877,377
Restricted cash and cash equivalents	438,643	187,820
Investment certificates (Notes 9 & 10)	2,867,857	3,133,836
Equity securities (Notes 9 & 10)	8,458,763	7,694,437
Debt securities (Notes 9 & 10)	1,816,504	1,765,586
Accrued income	14,062	14,104
Property and equipment		
Building and improvements	1,000,413	1,000,413
Furniture and equipment	261,756	263,438
Less-accumulated depreciation	(936,807)	(900,165)
Real estate	<u>1,912,166</u>	<u>1,912,166</u>
Total assets	<u>\$ 16,547,408</u>	<u>\$ 15,949,012</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 10,405	\$ 5,251
Accrued liabilities	-	30
Deferred income	<u>21,428</u>	<u>28,919</u>
Total liabilities	31,833	34,200
Net assets		
Without donor restrictions	916,545	865,028
With donor restrictions	<u>15,599,030</u>	<u>15,049,784</u>
Total net assets	<u>16,515,575</u>	<u>15,914,812</u>
Total liabilities and net assets	<u>\$ 16,547,408</u>	<u>\$ 15,949,012</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, 2026
(with comparative totals for 2025)

	2026			2025
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gifts and Other Support				
Contributions				
Congregational Benevolence	\$ 1,555,480	\$ -	\$ 1,555,480	\$ 1,662,244
Gifts Without Donor Restrictions	200,110	-	200,110	165,748
Gifts With Donor Restrictions	-	2,613,740	2,613,740	3,082,949
Investment Return, net	77,603	1,392,788	1,470,391	1,343,110
SD Synod Mission Support	27,956	-	27,956	28,042
SDS Travel LLC Income	3,127	-	3,127	1,683
Pine Ridge Ministry	45,000	-	45,000	45,000
DEM Support Staff	10,000	-	10,000	10,000
Other	1,039	72,291	73,330	117,836
Net assets released from restrictions	<u>3,529,573</u>	<u>(3,529,573)</u>	-	-
Total Revenues, Gifts and Other Support	\$ 5,449,888	\$ 549,246	\$ 5,999,134	\$ 6,456,612
Expenses				
Program	\$ 5,215,332	\$ -	\$ 5,215,332	\$ 4,486,256
Fundraising	14,836	-	14,836	14,407
Management and General	<u>168,203</u>	<u>-</u>	<u>168,203</u>	<u>272,857</u>
Total Expenses	\$ 5,398,371	\$ -	\$ 5,398,371	\$ 4,773,520
Net (Decrease) Increase in Net Assets	51,517	549,246	600,763	1,683,092
Net Assets, Beginning of Year	<u>865,028</u>	<u>15,049,784</u>	<u>15,914,812</u>	<u>14,231,720</u>
Net Assets, End of Year	<u>\$ 916,545</u>	<u>\$ 15,599,030</u>	<u>\$ 16,515,575</u>	<u>\$ 15,914,812</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JANUARY 31, 2026
(with comparative totals for 2025)

	2026				2025
	Program	Fundraising	Management & General	Total	Total
Synod Administration					
Bishop Salary	\$ 51,181	\$ 7,312	\$ 14,623	\$ 73,116	69,968
Bishop Housing	24,489	3,498	6,997	34,984	34,984
Bishop Benefits	28,181	4,026	8,052	40,258	39,115
Associate/Director Evangelical Mission Salary	9,660	-	4,140	13,800	12,596
Associate Mobility/Candidacy Salary	55,962	-	13,991	69,953	67,333
Associate Mobility/Candidacy Housing	16,000	-	4,000	20,000	20,000
Associate Mobility/Candidacy Social Security	5,505	-	1,376	6,881	6,681
Associate Mobility/Candidacy Benefits	21,358	-	5,340	26,698	25,952
Exec Staff Continuing Education	3,800	-	-	3,800	1,116
Exec Staff Travel	13,453	-	-	13,453	10,808
SDS Transportation Travel	17,808	-	-	17,808	43,522
Staff Salaries	104,813	-	51,624	156,437	149,228
Staff Benefits	29,479	-	14,520	43,999	41,150
Employer Social Security	7,060	-	3,477	10,537	9,526
Utilities, Cleaning, Etc. Reimbursed to Augustana	-	-	24,035	24,035	31,386
Supplies	-	-	17,362	17,362	17,090
Printing	-	-	670	670	1,427
Postage	-	-	2,555	2,555	3,016
Telephone	-	-	4,732	4,732	4,352
Equipment Maintenance/Rent	-	-	3,647	3,647	4,561
Insurance	-	-	20,957	20,957	64,137
Auditing	-	-	12,850	12,850	11,682
Hospitality	-	-	3,979	3,979	1,411
Synod Council Travel	-	-	709	709	151
Synod Council Hospitality	-	-	2,744	2,744	3,156
Other	-	-	(49,000)	(49,000)	19,045
Lutherans Outdoors Offset	-	-	(5,176)	(5,176)	(11,111)
Total Synod Administration	\$ 388,749	\$ 14,836	\$ 168,203	\$ 571,788	\$ 682,282
Synod Programs					
Support to Ministries Travel	\$ 319	\$ -	\$ -	\$ 319	\$ 95
Support to Ministries Hospitality	326	-	-	326	714
Candidacy Travel	1,628	-	-	1,628	1,987
Candidacy Hospitality	708	-	-	708	1,354
Candidacy Programs	8,162	-	-	8,162	5,204
Electronic Communications	4,697	-	-	4,697	4,431
Evangelical Outreach	1,500	-	-	1,500	-
Mission Table Strategy	1,250	-	-	1,250	-
Total Synod Programs	\$ 18,590	\$ -	\$ -	\$ 18,590	\$ 13,785
Synod Supported Ministries					
SD Ministries Support	\$ 11,462	\$ -	\$ -	\$ 11,462	\$ 11,778
Luther Seminary	46,395	-	-	46,395	66,428
Church Colleges	5,384	-	-	5,384	5,747
Lutheran Social Services	62,229	-	-	62,229	66,428
Lutherans Outdoors	31,035	-	-	31,035	33,130
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	\$ 214,807	\$ -	\$ -	\$ 214,807	\$ 241,813

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JANUARY 31, 2026
(with comparative totals for 2025)

	2026				2025
	Program	Fundraising	Management & General	Total	Total
Synod Sustained Ministries					
Campus Ministry	\$ 109,732	\$ -	\$ -	\$ 109,732	\$ 117,137
Heartland Ephphatha	5,384	-	-	5,384	5,747
Lutheran Youth Organization	1,100	-	-	1,100	-
Total Synod Sustained Ministries	\$ 116,216	\$ -	\$ -	\$ 116,216	\$ 122,884
Outreach Ministries					
Mission Congregation Startup	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -
Multicultural Center	19,500	-	-	19,500	19,250
Total Outreach Ministries	\$ 21,500	\$ -	\$ -	\$ 21,500	\$ 19,250
Region III	\$ 8,614	\$ -	\$ -	\$ 8,614	\$ 9,153
ELCA Ministries	\$ 637,747	\$ -	\$ -	\$ 637,747	\$ 698,143
Native American Ministries					
Salary	\$ 48,487	\$ -	\$ -	\$ 48,487	\$ 45,358
Housing	5,000	-	-	5,000	5,000
Benefits	36,322	-	-	36,322	34,419
Employer Social Security	4,092	-	-	4,092	3,267
Travel	14,295	-	-	14,295	9,223
Continuing Education	800	-	-	800	800
Total Native American Ministries	\$ 108,996	\$ -	\$ -	\$ 108,996	\$ 98,067
Companion Synod Coordinator					
Salary	\$ 14,098	\$ -	\$ -	\$ 14,098	\$ 13,113
Employer Social Security	1,279	-	-	1,279	961
Benefits	4,774	-	-	4,774	4,233
Travel	1,590	-	-	1,590	451
Total Companion Synod Coordinator	\$ 21,741	\$ -	\$ -	\$ 21,741	\$ 18,758
Depreciation:					
Furniture and Equipment	\$ 23,570	\$ -	\$ -	\$ 23,570	\$ 23,685
Building	14,755	-	-	14,755	15,011
Total Depreciation	\$ 38,325	\$ -	\$ -	\$ 38,325	\$ 38,696
Other Program Distributions	\$ 110,474	\$ -	\$ -	\$ 110,474	\$ 152,961
Endowment and Program Distributions	\$ 3,529,573	\$ -	\$ -	\$ 3,529,573	\$ 2,677,727
Total Functional Expenses	\$ 5,215,332	\$ 14,836	\$ 168,203	\$ 5,398,371	\$ 4,773,519

See independent auditors' report and accompanying notes.

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

STATEMENT OF CASH FLOWS

JANUARY 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 600,763	\$ 1,683,093
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	38,325	38,696
Earnings reinvested	(1,392,244)	(1,262,706)
Endowment contributions	(147,949)	(63,949)
Changes in operating assets and liabilities:		
Accrued income	42	(13,017)
Accounts payable	5,154	1,262
Deferred income	(7,491)	7,629
	<u>(903,400)</u>	<u>391,008</u>
Net cash (used) provided by operating activities	(903,400)	391,008
Cash Flows from Investing Activities		
Investment purchases	(524,195)	(1,980,250)
Investment sales	<u>1,367,143</u>	<u>1,119,536</u>
	<u>842,948</u>	<u>(860,714)</u>
Net cash provided (used) by investing activities	842,948	(860,714)
Cash Flows from Financing Activities		
Endowment contributions	<u>147,949</u>	<u>63,949</u>
	<u>147,949</u>	<u>63,949</u>
Net cash provided by financing activities	147,949	63,949
Net change in cash	87,497	(405,757)
Cash, cash equivalents, restricted cash, and restricted cash equivalents		
Beginning of year	<u>1,065,197</u>	<u>1,470,954</u>
Cash, cash equivalents, restricted cash, and restricted cash equivalents End of year	<u>\$ 1,152,694</u>	<u>\$ 1,065,197</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 27, 2026, 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>2026</u>	<u>2025</u>
Cash and cash equivalent interest bearing	\$ 714,051	\$ 877,377
Restricted cash and cash equivalents	<u>438,643</u>	<u>187,820</u>
Totals	<u>\$ 1,194,763</u>	<u>\$ 1,065,197</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)

I. 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, 2025 in the accompanying financial statements are included to provide a basis for comparison with 2026 and present summarized totals only. Accordingly, the 2025 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, 2025, 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, 2026 and 2025 are as follows:

Endowment net assets, January 31, 2024	\$ 10,794,005
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>
Contributions	147,959
Investment Income, net of investment expenses	509,293
Realized and unrealized losses	955,786
Amount appropriated for expenditures	<u>(503,453)</u>
Endowment net assets, January 31, 2026	\$ <u>12,761,905</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, 2026 and 2025 are as follows:

Financial Assets:	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 1,152,694	\$ 1,065,197
ELCA investment certificates	2,867,857	3,133,836
Equity securities	8,458,763	7,694,437
Debt securities	1,816,504	1,765,586
Accrued income	<u>14,062</u>	<u>14,104</u>
Total Financial Assets	<u>14,309,880</u>	<u>13,673,160</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose restricted-net assets	2,879,194	3,397,462
Donor-restricted quasi-endowment funds	121,873	125,060
Donor-restricted endowment funds	<u>10,727,866</u>	<u>9,615,096</u>
Financial Assets Held to Meet Donor Restrictions	<u>13,728,933</u>	<u>13,137,618</u>
Less Financial Assets not available within One Year:		
Board designated net assets	<u>410,989</u>	<u>363,417</u>
Amounts Available for General Expenditure within One Year	<u>\$ 169,958</u>	<u>\$ 172,125</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 \$2,739 from February 2025 to January 2026. 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 \$69,383 and \$58,766 for January 31, 2026 and 2025 respectively.

6. NET ASSETS – WITH DONOR RESTRICTION

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

	<u>2026</u>	<u>2025</u>
Purpose Restrictions:		
South Dakota Ministries	\$ 144,189	\$ 267,340
Gifts/Grants Pass Through	679,136	657,431
Synod Program Ministries	57,697	55,799
Synod Executive Staff	51,339	42,306
Companion Synods	31,356	47,502
Listen! God is Calling Appeal	106,090	101,002
Lilly Endowment 1.0	751,488	991,718
Lilly Endowment 2.0	1,057,899	1,234,364
Donor Restricted Quasi-Endowment Fund	121,873	125,060
Donor Restricted Endowment Funds	<u>12,640,032</u>	<u>11,527,262</u>
	<u>\$ 15,641,099</u>	<u>\$ 15,049,784</u>

7. BOARD DESIGNATED NET ASSETS

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

	<u>2026</u>	<u>2025</u>
Without donor restriction:		
Synod Office	\$ 162,297	\$ 143,152
Projects/Programs	159,544	116,373
Task Forces	590	4,735
Extraordinary Gifts	88,558	57,092
Pine Ridge	-	<u>42,065</u>
	<u>\$ 410,989</u>	<u>\$ 363,417</u>

8. DEFERRED INCOME

Income from vehicle contract and prepaid program fees are:

	<u>Prepaid program fees</u>
January 31, 2024	\$ 21,290
Net change FY25	<u>7,629</u>
January 31, 2025	\$ 28,919
Net change FY26	<u>(7,491)</u>
January 31, 2026	<u>\$ 21,428</u>

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

9. INVESTMENTS

The fair value of investments as of January 31, 2026 and 2025 was as follows:

	<u>2026</u>		<u>2025</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable equity securities:				
ELCA pooled trust	\$3,754,215	\$ 5,324,411	\$ 3,978,108	\$ 4,966,162
Equity mutual funds	1,408,973	2,288,298	1,275,371	2,028,438
International equity mutual funds	<u>476,620</u>	<u>846,054</u>	<u>532,848</u>	<u>699,837</u>
Total marketable equity securities	<u>5,639,808</u>	<u>8,458,763</u>	<u>5,786,327</u>	<u>7,694,437</u>
Marketable debt securities:				
Corporate debt securities	75,017	74,940	229,804	223,807
Fixed income mutual funds	1,679,091	1,642,444	1,518,113	1,440,131
Municipal bonds	<u>100,030</u>	<u>99,120</u>	<u>105,073</u>	<u>101,648</u>
Total marketable debt securities	<u>1,854,138</u>	<u>1,816,504</u>	<u>1,852,990</u>	<u>1,765,586</u>
Certificates of deposit	2,867,857	2,867,857	3,133,836	3,133,836
Real estate	<u>1,501,052</u>	<u>1,912,166</u>	<u>1,501,052</u>	<u>1,912,166</u>
	<u>\$11,862,855</u>	<u>\$15,055,290</u>	<u>\$12,274,205</u>	<u>\$14,506,025</u>

Investment income for the year ended January 31, 2026 and 2025, consisted of the following:

	<u>2026</u>	<u>2025</u>
Investment income		
Interest and dividends	\$ 446,136	\$ 420,538
Realized gains	<u>68,469</u>	<u>58,242</u>
	<u>514,605</u>	<u>478,780</u>
Unrealized gains	<u>955,786</u>	<u>864,330</u>
Total investment income	\$ <u>1,470,391</u>	\$ <u>1,343,110</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, 2026</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities:				
ELCA pooled trust	\$ -	\$ 5,324,411	\$ -	\$ 5,324,411
Equity mutual funds	2,288,298	-	-	2,288,298
International equity mutual funds	846,054	-	-	846,054
Marketable debt securities:				
Corporate debt securities	-	74,940	-	74,940
Fixed income mutual fund	-	1,642,444	-	1,642,444
Municipal bonds	-	99,120	-	99,120
Certificates of deposit	2,867,857	-	-	2,867,857
Real estate	-	-	1,912,166	1,912,166
	<u>\$ 6,002,209</u>	<u>\$ 7,140,915</u>	<u>\$ 1,912,166</u>	<u>\$ 15,055,290</u>

SOUTH DAKOTA SYNOD

EVANGELICAL LUTHERAN CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

10. FAIR VALUE OF INVESTMENTS (CONTINUED)

	January 31, 2025			
	Level 1	Level 2	Level 3	Total
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	-	-	1,912,166	1,912,166
	<u>\$ 5,862,111</u>	<u>\$ 6,731,748</u>	<u>\$ 1,912,166</u>	<u>\$ 14,506,025</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, 2026

	Balance <u>1/31/2025</u>	Gifts <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance <u>1/31/2026</u>
Without Donor Restrictions					
Occupancy Upkeep & Repairs	\$ 14,982	\$ -	\$ -	\$ -	\$ 14,982
Office Equipment	3,801	-	-	-	3,801
Bishop Election/Transition	124,370	25,000	5,856	-	143,514
Stewardship Projects	2,618	666	-	-	3,284
Rural Ministry	55,014	21,832	-	-	76,846
Continuing Education Events	18,606	17,925	25,058	-	11,473
Fall Theological Conference	15,342	11,175	9,309	-	17,208
Systems	870	-	850	-	20
Synod Assembly Fund	23,920	91,456	64,663	-	50,713
Multi-Cultural Ministry	4,734	590	4,734	-	590
Box Elder New Site Development	34,495	31,167	-	-	65,662
NiS	16,196	-	-	-	16,196
Stewardship Initiatives	6,400	300	-	-	6,700
Pine Ridge	42,069	-	-	42,069	-
Total Without Donor Restrictions	<u>\$ 363,417</u>	<u>\$ 200,111</u>	<u>\$ 110,470</u>	<u>\$ 42,069</u>	<u>\$ 410,989</u>

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, 2026

	<u>Balance</u> <u>1/31/2025</u>	<u>Gifts</u> <u>Received</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u> <u>1/31/2026</u>
With Donor Restrictions					
Pine Ridge/Lutheran Lakota Ministry	\$ 45,451	\$ 43,754	\$ 88,966	\$ -	\$ 239
Lutheran Lakota Job Corp	-	1,200	1,200	-	-
Pine Ridge Youth Position	-	1,645	1,645	-	-
Youth Ministry	17,469	600	579	-	17,490
Campus Min Capital Reserves	7,170	-	979	-	6,191
Woyatan Multicultural	-	5,859	5,859	-	-
Marty's Mug	105	-	105	-	-
Spring Theological Conference	13,448	8,911	12,780	-	9,579
SD Ministries Support	13,769	11,462	4,341	-	20,890
Farm to Table	136,034	4,000	84,128	-	55,906
ATC/WELCA Donations	-	120	120	-	-
LDR Grant	4,796	-	127	-	4,669
Seminary Debt Reduction Fund	-	117,027	95,999	-	21,028
Seminary Scholarship Fund	253,683	103,207	195,067	-	161,823
Neighbors in Solidarity	22,266	111,668	82,468	-	51,466
COVID 19 Grant	400	-	-	-	400
Native American Sem Scholarship	81,789	-	-	-	81,789
C Engen Seminary Scholarship	84,236	90,838	44,797	-	130,277
Synod Assembly Offering	-	8,165	8,165	-	-
Endowment Distributions	114,676	84,413	45,496	-	153,593
Monthly Pass-Through	77,770	304,483	379,410	-	2,843
AAAS-DoSER Grant	-	19,760	9,707	-	10,053
The CaSTLE Project	-	100,771	51,270	-	49,501
Pueblo de Dios	-	90,885	90,885	-	-

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, 2026

	Balance 1/31/2025	Gifts Received	Expenditures	Transfers	Balance 1/31/2026
With Donor Restricted (Continued)					
SF Area Ministry Strategy	\$ 33,896	\$ -	\$ -	\$ -	\$ 33,896
Sprinkles of Grace	5,400	10,000	5,000	-	10,400
SD Synod Hunger Grants	1,092	11,700	11,500	-	1,292
May 2022 Storm Disaster	11,320	10,127	21,447	-	-
Seminary Resource Recruiter	55,799	21,960	20,062	-	57,697
Peace Fund/Good Samaritan Fund	22,097	9,083	17,168	-	14,012
Bishops Discretionary Fund	6,578	35,314	18,911	-	22,981
Exec Staff Cont Education	13,083	3,880	2,616	-	14,347
Cameroon Projects	16,324	20,405	24,295	-	12,434
Nicaragua Projects	15,535	34,984	34,452	-	16,067
Comp Synods-Traveling To	697	-	-	-	697
Comp Synods-Traveling From	28	-	-	-	28
Train Up A Child	2,413	2,870	5,003	-	280
Cameroon Roofs	594	1,500	1,594	-	500
Nicaragua Missionary IFLE	11,910	6,099	16,660	-	1,349
Listen, God is Calling (Donations)	-	1,350	1,350	-	-
Lifelong Academy	47,419	13,899	19,025	-	42,293
Rostered Leader Recruitment	-	21,960	21,960	-	-
New & Renewing Congregations	53,583	28,234	18,020	-	63,797
Lilly Grant 1.0	632,459	51,512	366,611	-	317,360
Digital Comm & Learning	58,868	82,020	95,536	-	45,352
Rural Immersion	82,147	88,769	106,184	-	64,732
Rural Liaisons	137,009	125,312	70,235	-	192,086
Admin Assistant	52,730	27,584	-	-	80,314
Activities	21,594	31,187	7,621	-	45,160
Equipment/Office Exp	6,911	8,000	8,427	-	6,484
Lilly Grant 2.0	1,234,364	48,680	689,951	-	593,093
Holy Playground Personnel	-	213,167	75,851	-	137,316
Holy Playground Activities	-	419,300	108,637	-	310,663
Holy Playground Equipment & Office Expense	-	12,011	6,407	-	5,604
Holy Playground Travel	-	16,661	5,438	-	11,223
Total With Donor Restrictions	\$ 3,396,912	\$ 2,466,336	\$ 2,984,054	\$ -	\$ 2,879,194

See independent auditors' report and accompanying notes.