

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR
ENDED JANUARY 31, 2023**



**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

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INDEPENDENT AUDITORS' REPORT

South Carolina Synod of the
Evangelical Lutheran Church in America
Columbia, South Carolina

To the Synod Council:

Opinion

We have audited the accompanying financial statements of South Carolina Synod of the Evangelical Lutheran Church in America, (the "Synod") (a nonprofit organization), which comprise the statement of financial position as of January 31, 2023, 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of January 31, 2023, 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 Opinion

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 the Synod 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 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 the Synod'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 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 the Synod'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 the Synod'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.

Scott and Company LLC

Columbia, South Carolina
October 17, 2023

SOUTH CAROLINA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FINANCIAL POSITION
JANUARY 31, 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Totals</i>
Assets			
Cash and Cash Equivalents	\$ 571,716	\$ 1,499,686	\$ 2,071,402
Investments	1,675,526	641,572	2,317,098
Prepaid Expenses	2,675	-	2,675
Properties Acquired and Held for Sale	786,250	-	786,250
Property and Equipment, Net of Accumulated Depreciation	2,549,444	-	2,549,444
Total Assets	5,585,611	2,141,258	7,726,869
Liabilities and Net Assets			
Liabilities			
Accounts Payable	161,866	-	161,866
Notes Payable	147,000	-	147,000
Discount on Notes Payable	-	(33,057)	(33,057)
Deferred Income	10,760	-	10,760
Total Liabilities	319,626	(33,057)	286,569
Net Assets			
Without Donor Restrictions			
Undesignated	3,236,607	-	3,236,607
Council Designated	2,029,378	-	2,029,378
With Donor Restrictions	-	2,174,315	2,174,315
Total Net Assets	5,265,985	2,174,315	7,440,300
Total Liabilities and Net Assets	\$ 5,585,611	\$ 2,141,258	\$ 7,726,869

See Accompanying Notes to the Financial Statements

SOUTH CAROLINA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2023

	Without Donor Restrictions			
	Undesignated - Operating	Council Designated	Totals	With Donor Restrictions
Support and Revenue				Totals
Congregational Mission Support	\$ 2,318,728	\$ -	\$ 2,318,728	\$ -
Net Investment Loss	(74,663)	(59,704)	(134,367)	(55,478)
Fees	51,660	-	51,660	-
Rental Income	12,000	-	12,000	-
Miscellaneous Noncongregational Support	4,387	14,287	18,674	-
Designated / Special Contribution	-	-	-	957,455
Totals	2,312,112	(45,417)	2,266,695	901,977
				3,168,672
Net Assets Released from Restrictions - Payments Satisfying Donor Intentions	1,165,460	(164,312)	1,001,148	(1,001,148)
Total Support, Revenue and Reclassifications	3,477,572	(209,729)	3,267,843	(99,171)
				3,168,672
Program Services				
Support Programs	2,390,065	-	2,390,065	-
Deepening Discipleship Table	177,222	-	177,222	-
Community Engagement Table	182,637	-	182,637	-
Communication/Technology Table	239,312	-	239,312	-
Operating Expenses	454,271	-	454,271	-
Total Program Services	3,443,507	-	3,443,507	-
				3,443,507
Supporting Services				
Management and General	391,822	-	391,822	-
Total Expenses	3,835,329	-	3,835,329	-
				3,835,329
Decrease in Net Assets Before Operating Transfers and Other Changes in Net Assets	(357,757)	(209,729)	(567,486)	(99,171)
				(666,657)
Operating Transfers and Other Changes in Net Assets				
Donated Property	786,250	-	786,250	-
Gain on Sale of Property	109,246	-	109,246	-
Discount on Notes Payable	3,795	-	3,795	-
Interest Expense	(3,795)	-	(3,795)	-
Transfers To Council Designated	(964,846)	964,846	-	-
Total Operating Transfers and Other Changes in Net Assets	(69,350)	964,846	895,496	-
				895,496
(Decrease) Increase in Net Assets	(427,107)	755,117	328,010	(99,171)
				228,839
Net Assets, Beginning of Year	3,663,714	1,274,261	4,937,975	2,273,486
				7,211,461
Net Assets, End of Year	\$ 3,236,607	\$ 2,029,378	\$ 5,265,985	\$ 2,174,315
				\$ 7,440,300

See Accompanying Notes to the Financial Statements

SOUTH CAROLINA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2023

	<u><i>Program Services</i></u>	<u><i>Supporting Services</i></u>	
	Spreading God's Word	Management and General	Total Expenses
Support to ELCA	\$ 1,012,945	\$ -	\$ 1,012,945
Support and Gifts to Institutions and Others	211,660	-	211,660
Designated Payments - Net Assets Released	1,165,460	-	1,165,460
Totals	<u>2,390,065</u>	<u>-</u>	<u>2,390,065</u>
Deepening Discipleship Table	177,222	-	177,222
Community Engagement Table	182,637	-	182,637
Communication Technology Table	239,312	-	239,312
Total Direct Expenses	<u>2,989,236</u>	<u>-</u>	<u>2,989,236</u>
Salaries and Related Benefits	358,013	335,541	693,554
Travel Expenses	21,291	7,097	28,388
Telephone Expense	11,359	3,786	15,145
Utilities, Repairs and Maintenance	17,524	7,158	24,682
Depreciation Expense	26,508	10,827	37,335
Insurance	6,213	2,538	8,751
Office Supplies and Expenses	13,363	12,524	25,887
Other Operating Expenses	-	12,351	12,351
Total Operating Expenses	<u>454,271</u>	<u>391,822</u>	<u>846,093</u>
Totals Expenses	<u><u>\$ 3,443,507</u></u>	<u><u>\$ 391,822</u></u>	<u><u>\$ 3,835,329</u></u>

See Accompanying Notes to the Financial Statements

SOUTH CAROLINA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	Totals
Cash Flows from Operating Activities			
Increase (Decrease) in Net Assets	\$ 328,010	\$ (99,171)	\$ 228,839
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used in Operating Activities:			
Depreciation Expense	37,335	-	37,335
Investment Loss	134,367	55,478	189,845
Gain on Sale of Property	(109,246)	-	(109,246)
Donation of Land and Building	(786,250)	-	(786,250)
Interest Expense	3,795	-	3,795
Decrease in Prepaid Expenses	13,100	-	13,100
Decrease in Accounts Payable	(36,578)	-	(36,578)
Increase in Deferred Income	10,760	-	10,760
Net Cash Used in Operating Activities	<u>(404,707)</u>	<u>(43,693)</u>	<u>(448,400)</u>
Cash Flows from Investing Activities			
Purchase of Building under Construction	(166,796)	-	(166,796)
Net Purchases and Sales of Investments	(28,333)	(23,815)	(52,148)
Proceeds from Sales of Property	1,011,712	-	1,011,712
Net Cash Provided by (Used in) Investing Activities	<u>816,583</u>	<u>(23,815)</u>	<u>792,768</u>
Cash Flows from Financing Activities			
Payments on Notes Payable	(9,000)	-	(9,000)
Net Cash Used in Financing Activities	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	402,876	(67,508)	335,368
Cash and Cash Equivalents, Beginning of Year	<u>168,840</u>	<u>1,567,194</u>	<u>1,736,034</u>
Cash and Cash Equivalents, End of Year	<u>\$ 571,716</u>	<u>\$ 1,499,686</u>	<u>\$ 2,071,402</u>

See Accompanying Notes to the Financial Statements

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The South Carolina Synod of the Evangelical Lutheran Church in America (the "Synod") and its predecessors dates back to 1824. On April 6, 1994, the Synod was incorporated under the laws of South Carolina as The South Carolina Synod of The Evangelical Lutheran Church in America. The Synod is supported primarily from proportionate share (contributions) received from Lutheran churches of the ELCA throughout the State of South Carolina. The mission of the people of the Synod is to make Christ known through word, sacrament and service.

Basis of Accounting

The financial statements of the Synod have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The Synod does not have any significant unconditional promises to give to record at year end. Unpaid campaign pledges are not recorded as these pledges represent intent to give and not a promise to give, which is necessary to record a receivable and the related revenues.

Basis of Presentation

The Synod reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

Net assets, revenues, gains and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions can be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expense by function. Expenses are charged to program and supporting services on the basis of specific identification or on a percentage cost basis determined by estimates of time and effort studies or usage of space attributable to the particular function or program. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Management and general expenses include those expenses and costs that are not directly identifiable with any specific function or program but provide overall support and direction of the Synod's mission. The significant expenses which were not directly identifiable and which are allocated between program and supporting services include administrative and employee compensation, office supplies and expense, professional services, travel, utilities, liability insurance and publication and public relations expenses.

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

These expenses are allocated on the basis of estimates of time and effort studies or usage of space attributable to the particular function or program.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Synod generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Synod with specific assistance programs and various committee assignments. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Synod.

Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from management's estimates.

Concentration of General Contribution Revenues

Approximately 90% of the Synod's support and revenue without restrictions comes from member churches throughout the State of South Carolina. A significant reduction in the number of church members and consequently a reduction of mission support revenues could have an adverse effect on the Synod's operating activities.

Income Taxes

The Synod is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Synod is not required to file an annual information tax return with the Internal Revenue Service Center or the SC Department of Revenue.

Revenue, Contributions, Investment Income and Expense Recognition

Contributions received are recorded as increases in net assets without donor restrictions or increases in net assets with donor restrictions depending on the existence and/or nature of any restrictions in accordance with accounting principles generally accepted in the United States of America. Contributions received are measured at fair value and are reported as increases in net assets. The Synod reports gifts of cash and non-cash assets as donor restricted support if they are received with donor stipulations that limit the use of the donated asset, 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.

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Revenues, including gains and losses, with donor restrictions are reported as increases in net assets without restrictions if the stipulated restrictions (time or purpose) are met within the same reporting period. All expenses are reported as a decrease in net assets without donor restrictions in the statement of activities.

Fair Value Measurements

Cash, Certificates of Deposit, Accounts Payable, Accrued Expenses and Other Liabilities

The carrying amount of cash in demand and investment accounts is a reasonable estimate of fair value because those amounts are payable on demand at the reporting date. The fair value of fixed-rate certificates of deposit is a reasonable estimate of fair value using rates currently offered for deposits of similar remaining maturities and interest rates. The carrying values of accounts payable, accrued expenses and other liabilities approximate a reasonable estimate of fair value due to the short-term maturities of these instruments.

Mutual Funds and Fixed Rate Corporate Notes

The Synod reports investments in mutual funds and fixed rate corporate notes at fair values in the statement of financial position. The fair value of these investments is determined using Level 1, Level 2 and Level 3 inputs. Inputs to these fair value measurements are as follows,

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Unrealized gains and losses on these investments are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Properties Held for Sale

The Synod initially records its real estate properties available for sale at the fair value on the date the properties were donated or acquired by the Synod. Subsequent to the date these properties were donated or acquired, adjustments are made to decrease the carrying values of properties for other than temporary market declines in value. The fair value of properties held for sale is determined using level 3 inputs. Level 3 inputs are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs also reflect management's own assumptions or expectations. Fair value is based on an appraisal performed at the time of valuation based on relevant sales and market data. When the properties held for sale are sold, revenue will be recognized in the year of sale and will reflect the gross sales price received. At the time of property sale, the carrying value will be removed from the asset holding account and recorded as cost of property sold together with sales and closing costs, if any.

Depreciable Capital Assets

The Synod uses the straight-line method in computing annual depreciation expense based on the following estimated useful lives:

Land Improvements	10 Years
Buildings and Improvements	30-40 Years
Furniture and Equipment	5-10 Years

Office Furniture and Electronic Equipment

Acquisitions of office furniture and electronic equipment with an individual cost of \$2,500 or more and with an estimated service utility life of at least one (1) year are capitalized and depreciated over the estimated service utility life using the straight-line depreciation method. Office furniture and electronic equipment is recorded at cost if purchased and recorded at the approximate fair value if donated. The measurement date of depreciable capital assets donated is the date of the donation, which normally coincides with the date title to the donated asset is transferred to the Synod.

Depreciable Buildings and Building Improvements

Acquisitions of buildings and costs of building improvements with an individual cost of \$5,000 or more and with an estimated service utility life of at least fifteen (15) years are capitalized and depreciated over the estimated service utility life using the straight-line depreciation method. Buildings and building improvements are recorded at cost if purchased and recorded at the approximate fair value if donated. The measurement date of depreciable capital assets donated is the date of the donation, which normally coincides with the date title to the donated asset is transferred to the Synod.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Synod considers all highly liquid investments with an initial maturity of three (3) months or less to be cash equivalents.

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 INVESTMENTS

On September 10, 2001, the Synod adopted an investment policy in which money could be invested in marketable securities. This investment policy sets forth guidelines for investments. Before the change in policy, only interest bearing certificates of deposit issued by commercial institutions or by the Mission Investment Fund of the ELCA were approved for investments. In addition, each certificate was purchased for an individual account or fund. In order to maximize investment opportunities and benefits from investments, the Synod started a program where accounts and funds are grouped together, allowing investments to be purchased for the group and not by individual fund or account.

Currently, the Synod has two investment programs named the Mission Endowment Fund and the Pooled Funds. Included in the Pooled Funds investment account are certificates of deposit held with a FDIC financial institution, certificate of deposit held with a diversified financial services company, certificates of deposit held with the ELCA Mission Investment Fund, and funds (bank deposits, equities and fixed income) held in an investment advisory account of a financial institution. The investments in the Mission Endowment Fund consist of funds (bank deposits, equities and fixed income) held in an investment advisory account of a financial institution. The fair value of the mutual fund investments is based on observable, unadjusted quoted prices in active markets for identical assets (Level 1 inputs). The fair value of the fixed rate corporate notes is based on observable, quoted prices in markets that are not active for identical or similar assets (Level 2 inputs). As of January 31, 2023, the fair values of investments were as follows:

Investments	Level	Mission Endowment Fund	Pooled Funds	Totals	Unrealized Gains (Losses)
Certificates of Deposit	2	\$ -	\$ 465,407	\$ 465,407	\$ -
Equities	1	231,181	915,003	1,146,184	251,419
Fixed Income	1	120,332	469,984	590,316	(33,779)
REIT's	1	23,220	91,971	115,191	4,936
Totals		\$ 374,733	\$1,942,365	\$2,317,098	\$222,576

NOTE 3 NET INVESTMENT INCOME (LOSS)

Net investment income (loss) reported for the Synod for the year ended January 31, 2023 includes the following components. Interest is recorded when earned, and dividends are recorded on the ex-dividend date. Interest and dividends are included in net investment income (loss).

Interest and Dividends	\$ 40,276
Realized Losses	(91,568)
Unrealized Losses	(128,591)
Trust Fees	10,487
Investment Expense	<u>(20,449)</u>
Total Net Investment Loss	<u>\$(189,845)</u>

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 NET INVESTMENT INCOME (LOSS) (Continued)

Net investment income (loss) is reported by net asset classification as follows:

Without Donor Restrictions	
Undesignated - Operating	\$ (74,663)
Council Designated	<u>(59,704)</u>
Net Investment Loss Without Donor Restrictions	(134,367)
Net Investment Loss With Donor Restrictions	<u>(55,478)</u>
Total Net Investment Loss	<u>\$ (189,845)</u>

Net investment loss reported by the Synod was not reduced by any significant amount of costs relative to investment fees or charges.

NOTE 4 MISSION ENDOWMENT FUND

The Synod Council earmarked a portion of its net assets without donor restrictions as a council-designated endowment to be invested to provide income for a long but unspecified period. A council-designated endowment, which results from an internal designation, is not donor restricted and is included with the net assets without donor restrictions classification. The investment objectives and policies, including spending policies of the Mission Endowment Fund and the strategies employed for achieving those objectives, are as follows:

(1) The Synod is the owner of the Mission Endowment Fund, which was established during the 2003 Synod Assembly. The Synod Council has the authority to make investments and disbursements from this Fund. The Synod Council is encouraged to give oversight and operation of the Mission Endowment Fund to its appointed Synod Finance Committee. The Synod Finance Committee oversees the administration and investment performance of the Fund and makes recommendations regarding the portfolio of investments in accordance with the investment policies of the Synod.

(2) No more than five percent (5%) of the Mission Endowment Fund may be distributed in any given year and of this amount, up to fifty percent (50%) may be granted for mission development within the Synod and up to fifty percent (50%) may be granted for special expressions of God's love in the world. These funds shall not be used to support ongoing Synod operating expenses. The investment return, contribution and expenditure activity of the Mission Endowment Fund during the period beginning February 1, 2022, through January 31, 2023, is as follows:

**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 MISSION ENDOWMENT FUND (Continued)

<u>Council-Designated Endowment Net Assets, Beginning of Year</u>	\$ 466,443
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Additions to Mission Endowment Fund:

Net Investment Return:

Interest, Dividends, Realized and Unrealized Gains (Losses)	(43,110)
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Reductions of Mission Endowment Fund:

Council Approved Amounts Appropriated for Expenditure	<u>(24,005)</u>
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<u>Council-Designated Endowment Net Assets, End of Year</u>	<u>\$ 399,328</u>
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Endowment assets are invested in mutual funds, fixed rate corporate notes and cash in demand deposit and fixed income accounts, with a goal of achieving a consistent inflation-protected rate of return that has sufficient liquidity to make scheduled approved appropriated distributions, while still growing the fund. The assets invested are exposed to investment and custodial credit risk. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to limit exposure to unacceptable levels of investment and custodial credit risk.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment of the Synod consisted of the following at January 31, 2023:

Land and Land Improvements	\$ 632,560
Buildings and Building Improvements	1,242,475
Furniture and Equipment	113,400
Building under Construction	<u>1,120,903</u>
Total Cost or Donated Value	3,109,338

Less: Accumulated Depreciation	<u>(559,894)</u>
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Net Book / Carrying Value	<u>\$ 2,549,444</u>
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**SOUTH CAROLINA SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 PROPERTY AND EQUIPMENT (Continued)

Depreciation expense recorded for the year ended January 31, 2023, and charged to net assets without restrictions totaled \$37,335.

NOTE 6 PROPERTIES HELD FOR CAPITAL ASSETS

In May 2019, Christ the King Lutheran Church in Greenville, South Carolina, gifted its property, land and a church building, located at 1925 Pelham Road, Greenville, South Carolina, 29614 to the SC Synod. The property was subject to two notes with a total outstanding balance of \$165,944. The Synod borrowed \$180,000 from South Carolina Lutheran Men in Mission and paid off the outstanding debt of \$165,944. The Synod recorded the gift of land and building at \$225,000 and \$470,000, respectively, which was determined to be the fair value of the property at the time of receipt by the mortgage company (Level 3 input). The Synod recognized a non-cash donation of \$529,056. The property is currently being leased to Christ the King Lutheran Church. This transaction was for the purpose of the Synod helping Christ the King in its ministry.

The land and church building known as Christ Mission Lutheran Church, Columbia, South Carolina was sold in April 2022. The net proceeds from the sale was \$460,563. The basis of the property was \$307,466, and the gain on the sale was \$153,097.

NOTE 7 PROPERTIES HELD FOR SALE

The land and church building known as Christ the King Lutheran Church, Columbia, South Carolina was sold in April 2022. The net proceeds from the sale was \$551,149. The basis of the property was \$595,000, and the loss on the sale was \$43,851.

The Synod acquired the land and church building known as Our Shepherd Lutheran Church, Hartsville, South Carolina when the congregation closed (holty closure) in February 2022. The Synod recorded the gift of the property at \$786,250, which was determined to be the fair value of the property (level 3 input). The property is currently being evaluated by a Synod Council task force to determine the next steps, to sell or restart.

NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS - COUNCIL DESIGNATED

The Synod's Council has chosen to place certain limitations on its net assets without donor restrictions. These limitations on non-donor restricted resources are classified as Council designated net assets and include assets internally designated for specific Synod program expenses or for future capital asset purchases. Council designated net assets at January 31, 2023 total \$2,029,378. The Synod Council has the authority to release designation of these funds when considered necessary.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Contributions of funds received with donor-imposed restrictions totaled \$957,455 in 2023, and are reported as increases in net assets with donor restrictions. Remittances and/or expenditures of these funds are reported as net assets released from restrictions. These net assets are released from restrictions either by passage of time or satisfaction of payment obligations. Net assets with donor restrictions at January 31, 2023 totaled \$2,174,315. Net assets of \$1,001,148 were released from restrictions during 2023.

Included in Net Assets With Donor Restrictions are trust funds related to specific trust accounts (corpus and principal) which do not expire with the passage of time or satisfaction of payment obligation. These funds are to be held in perpetuity

Net assets with donor restrictions, which are to be maintained in perpetuity, are comprised of the following trusts at January 31, 2023.

J. M. Holman Trust Fund - The trust was established to provide investment income to be used for missionary work in Japan. The value of the fund is \$151,660.

Ernest A. Brooks Trust Fund - The trust was established to provide investment income to be used to support work in the field of foreign missions. The value of the fund is \$10,000.

Cauble Mission Trust Fund - The trust was established to provide investment income to be used to support mission congregations in emergency situations. The value of the fund is \$48,968.

The Lutheran Church of the Resurrection South Carolina Youth Trust Fund - The trust was established to provide investment income to be used to provide scholarships for youth events. The value of the fund is \$80,110.

NOTE 10 THE HATTIE S. SHARPE CHARITABLE TRUST

Hattie S. Sharpe Charitable Trust - The Synod is an investment income beneficiary of a trust created in a prior period under the will of Hattie S. Sharpe. The trust assets are managed by First Citizens Bank Trust Department. Under the terms of the will, the Synod has the irrevocable right to receive the interest and dividends earned on the trust investments but the trust corpus or principal has to be held in perpetuity. The Synod is permitted to use fifty percent (50%) of the investment earnings toward establishing new Lutheran churches in South Carolina and fifty percent (50%) to support any project or program which the Global Missions Committee and/or the Ministry Team for Outreach believe will foster the spread of the gospel and the work of the church abroad. The Synod does not have any managerial control over the assets of the trust. Therefore, the assets and the related trust fund balance are not included in the net assets with donor restrictions of the Synod's financial statements, except by reference to the trust in the notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 PENSION PLAN

The Synod participates in a defined contribution plan covering substantially all employees. The Synod contributes ten (10) to twelve (12) percent of eligible employees' and ministers' annual compensation and each person is fully vested. The pension plan funds are invested in individual annuity contracts. Consequently, the Synod has no liability to the Plan once the required contributions are made. The Synod's defined contribution to Plan participants for the year ended January 31, 2023, was \$52,247. There were no significant changes made during the current year with regard to the contribution rates or the number of persons eligible to participate in the Plan.

NOTE 12 OPERATING LEASE COMMITMENTS

The Synod is currently leasing its office copier under a non-cancelable operating lease dated August 16, 2018 through Ricoh USA, Inc. and Wells Fargo Vendor Financial Services, LLC Capital c/o Ricoh USA Program. The Ricoh MPC8003 color copier includes a booklet finisher, a fax, an hole punch and a folding unit. The terms of the operating lease require monthly rental payments of \$623 plus a fee per copy and a fee for taxes, for 60 consecutive months through August 2023. The Synod is responsible for the annual property taxes and maintenance of the copier through the lease period. Current year rental expense totaled \$10,773 which is in accordance with the existing lease terms. Future minimum lease payments due after January 31, 2023 are as follows:

2024	<u>4,361</u>
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NOTE 13 NOTES AND LOANS PAYABLE

At January 31, 2023, the Synod had one outstanding note payable to the South Carolina Lutheran Men in Mission (SCLMM). The note, in the amount of \$180,000, is dated May 20, 2019, bears no interest and is payable in monthly payments of \$750 for twenty years. The note payable is secured by the property known as Christ the King, Greenville, per Note 6. The current balance of this note is \$147,000 at January 31, 2023.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 NOTES AND LOANS PAYABLE (continued)

The SCLMM is a separate non-profit organization, chartered by the State of South Carolina and is not a part of the Synod.

As the Note is noninterest bearing, imputed interest was recorded as Discount on Notes Payable using an effective rate of 3.25%. The discount on notes payable (imputed interest) is being amortized over the life of the note. The balance of the discount at January 31, 2023, was \$33,057.

Future estimated minimum payments at January 31, 2023 are as follows:

2024	\$ 9,000
2025	9,000
2026	9,000
2027	9,000
2028	9,000
2029-2040	102,000
Total	<u>\$147,000</u>

NOTE 14 CUSTODIAL CREDIT RISK

The Synod maintains interest and noninterest demand deposit accounts and certificate of deposit balances with financial institutions and various other financial services companies. The Federal Deposit Insurance Corporation (FDIC) provides for insurance coverage of account balances, including certificates of deposit balances, of \$250,000 per depositor at each financial institution. The carrying balance in demand deposit accounts and certificate of deposit accounts with financial institutions at January 31, 2023, totaled \$1,953,167 exceeding the FDIC insurable limit by \$1,703,167. Mutual funds, fixed rate corporate notes and other cash accounts held by investment brokers and investment fund agents are not insured or collateralized and are exposed to loss in value.

NOTE 15 MARKET RISK

Market risk is the risk that changes in the market prices – such as interest rates and equity prices – will affect the organization's income or the fair value of its holdings of financial investments. The Synod's financial investments, consisting of fixed rate corporate notes and mutual funds, are subject to market fluctuations as a result in changes in market prices, whether caused by factors specific to an individual investment or its issuer or factors affecting all financial instruments traded in the market.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenses, that is, without donor or other restrictions, including Synod Council designated net assets limiting their use, within one year of January 31, 2023, comprise the following:

Cash and Cash Equivalents	\$2,071,402
Investments	<u>2,317,098</u>
Total Financial Assets	4,388,500
Less Net Assets:	
With Donor-Imposed Restrictions	(2,174,315)
With Synod Council Designated Restrictions	<u>(2,029,378)</u>
Financial Assets Available to Meet Cash Needs	
For General Expenses Within One Year	<u>\$ 184,807</u>

The Synod manages its liquidity and reserves using the following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating and capital needs. Management of the Synod has a liquidity plan to maintain current financial assets less current liabilities at a minimum of 180 days operating expenses. In addition, the Synod's management targets a year-end balance of reserves of net assets without donor restrictions and undesignated net assets to meet 180 days of expected expenses in addition to future planned purchases of capital assets. To achieve these targets, the Synod forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended January 31, 2023, the level of liquidity and reserves was managed within the range of expectations of management's plans.

NOTE 17 ACCOUNTING STANDARD RECENTLY IMPLEMENTED

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than 12 months. ASU 2016-02 was effective for fiscal years beginning after December 15, 2021, with early adoption permitted. As future minimum lease payments are not material, the adoption of ASU 2016-02 effective February 1, 2022, had no material impact on the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 SUBSEQUENT EVENTS

Organizations are required to disclose the date to which subsequent events were evaluated as well as the rationale for why the date was selected. Management has performed an evaluation of subsequent events through October 17, 2023, which is the date the financial statements were available to be issued.

The property known as Cristo Rey Lutheran Church, Lexington received its certificate of occupancy in February 2023. The construction was completed and the congregation has begun worshipping at that site. It was recorded at the value of \$1,109,912 in February 2023.

The Synod Vitality Endowment Fund (invested with Thrivent) was funded in February 2023 in the amount of \$699,138. This new endowment was approved by the Synod Council in November 2022. Legacy funds from the holy closure and sales of Christ Mission, Columbia and Christ the King, Columbia funded this new endowment.