

**SOUTHEASTERN MINNESOTA
SYNOD OF THE ELCA**

**INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE,
COMMUNICATION OF A MATERIAL
WEAKNESS AND A MANAGEMENT
ADVISORY COMMENT**

JANUARY 31, 2025

SOUTHEASTERN MINNESOTA SYNOD OF THE ELCA

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INDEPENDENT AUDITORS' REPORT ON COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Council and Management of
Southeastern Minnesota Synod of the ELCA
Northfield, Minnesota

We have audited the financial statements of Southeastern Minnesota Synod of the ELCA, for the year ended January 31, 2025, and have issued our report thereon dated June 5, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 22, 2025 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Southeastern Minnesota Synod of the ELCA and affiliate solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a material weakness and an other matter noted during our audit in a separate letters to you dated June 5, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm as appropriate, our firm, and our network of firms, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- Management Override of Controls – professional standards require the auditor to address the risk that management is in a unique position to override controls that otherwise appear to be operating effectively.
- Improper Revenue Recognition – professional standards require the auditor to presume that risks of material misstatements exist in revenue recognition.

We have designed our audit procedures to adequately address the significant risks identified.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Southeastern Minnesota Synod of the ELCA is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended January 31, 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Certain accounting estimates exist that were not identified as a significant risk.

The most sensitive accounting estimate affecting the financial statements is:

- The functional expense allocation is based on management's estimate of time and usage by each function.

We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Southeastern Minnesota Synod of the ELCA's financial statements relate to: fair value measurements, leases, net assets, and endowment funds.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We have not identified any significant unusual transactions during the audit.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management and are listed in Appendix A.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Southeastern Minnesota Synod of the ELCA's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter under Appendix B dated June 5, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Southeastern Minnesota Synod of the ELCA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the Synod, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Southeastern Minnesota Synod of the ELCA's auditors.

This report is intended solely for the information and use of the Council and management of Southeastern Minnesota Synod of the ELCA and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

Rochester, Minnesota
June 5, 2025



INDEPENDENT AUDITORS' REPORT ON COMMUNICATION OF A MATERIAL WEAKNESS

To the Council and Management of
Southeastern Minnesota Synod of the ELCA
Northfield, Minnesota

In planning and performing our audit of the financial statements of Southeastern Minnesota Synod of the ELCA (the "Synod"), as of and for the year ended January 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Synod's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Synod's internal control. Accordingly, we do not express an opinion on the effectiveness of the Synod's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that are not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Synod's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency in Southeastern Minnesota Synod of the ELCA's internal control to be a material weakness:

Preparation of Financial Statements

The Synod does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements in accordance with the auditing standards generally accepted in the United States of America from management's information. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition based on cost or other considerations.

In addition, we noted another matter involving internal control and its operation that we have reported to management of the Synod, in a separate letter dated June 5, 2025.

This communication is intended solely for the information and use of management, the Council, and others within the Synod, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dawn H. Ash CPA, LLP

Rochester, Minnesota
June 5, 2025



MANAGEMENT ADVISORY COMMENT

To the Council and Management of
Southeastern Minnesota Synod of the ELCA
Northfield, Minnesota

In planning and performing our audit of the financial statements of Southeastern Minnesota Synod of the ELCA (the "Synod") for the year ended January 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Synod's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Synod's internal control. Accordingly, we do not express an opinion on the effectiveness of the Synod's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiencies. A separate letter dated June 5, 2025, contains our communication of a material weakness in the Synod's internal control. This letter does not affect our report dated June 5, 2025, on the financial statements of the Synod.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Synod personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment is summarized as follows:

IT Policies

We noted during our audit procedures that the Synod does not currently have the following formal, written policies: Access Rights, Financial Information Disaster Recovery Plan, Cyber Security Plan. We recommend the Synod develop formal, written policies that include processes for assigning, monitoring, and reviewing access and rights to financial information technology, a plan for the loss of financial information or access to financial information, and a plan for assessing, responding to, monitoring, and reviewing cyber security risks.

This report is intended solely for the information and use of management, the Council, and others within the Synod and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read 'Hawkins Ash CPAs, LLP'.

Rochester, Minnesota
June 5, 2025

APPENDIX A
SOUTHEASTERN MINNESOTA SYNOD OF THE ELCA
ADJUSTING JOURNAL ENTRIES

SOUTHEASTERN MINNESOTA SYNOD OF THE ELCA
ADJUSTING JOURNAL ENTRIES
JANUARY 31, 2025

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<u>Adjusting Journal Entry #1</u>			
To record current year lease activity.			
200501	ROU - Operating Lease Liability	10,192	
100651	ROU Operating Asset		10,192
	Total	<u>10,192</u>	<u>10,192</u>
<u>Adjusting Journal Entry #2</u>			
To adjust accrued PTO to actual.			
500260	DL-Personnel	1,374	
500261	EQ-Personnel	1,374	
500262	GP-Personnel	177	
500263	I-Personnel	1,508	
200180	Accrued PTO		4,433
	Total	<u>4,433</u>	<u>4,433</u>
<u>Adjusting Journal Entry #3</u>			
To record in-kind salary and benefits.			
500100	Salaries & Wages	109,134	
500260	DL-Personnel	33,832	
500261	EQ-Personnel	33,832	
500262	GP-Personnel	4,365	
500263	I-Personnel	37,105	
400403	ELCA DEM In-kind income		109,134
500250	Allocate to programs		109,134
	Total	<u>218,268</u>	<u>218,268</u>

APPENDIX B

**SOUTHEASTERN MINNESOTA SYNOD OF THE ELCA
MANAGEMENT REPRESENTATION LETTER**



Southeastern Minnesota Synod

of the Evangelical Lutheran Church in America



June 5, 2025

Hawkins Ash CPAs, LLP
3720 Nottingham Drive NW, Suite 100
Rochester, MN 55901

This representation letter is provided in connection with your audit of the financial statements of Southeastern Minnesota Synod of the ELCA, which comprise the statements of financial position as of January 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 5, 2025.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 22, 2025 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 - The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The basis used for allocation of functional expenses are reasonable and appropriate. • We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- With respect to preparation of the financial statements, maintenance of fixed asset schedule, and maintenance of leases we have performed the following:
 - Made all management decisions and performed all management functions; – Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and – Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.

- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

A handwritten signature in cursive script that reads "Emily Carson". The signature is written in black ink and is positioned to the left of the typed name and title.

Rev. Emily Carson
Financial Administrator, Southeastern Minnesota Synod