STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
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PIERRE SD 57501-5070
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

Date: November 9, 2017

To: SD Department of Social Services
State Board of Internal Control

Re: Audit Report on – Lutheran Social Services of South Dakota, Inc.
As of and for the year ended June 30, 2017
By: Eide Bailly, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify audit findings pertaining to federal award programs administered by your agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See pages 45-48. Accordingly, you are required to issue a management decision on the audit findings within six months after receipt of this audit report (OMB Uniform Guidance §200.331(d)(3)).

Please contact us if you have any questions.

Sincerely,

Martin L. Guindon

Martin L. Guindon, CPA
Auditor General

MLG:sld

Enclosure

Financial Statements
June 30, 2017 and 2016

Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates

Independent Auditor's Report

To The Board of Directors and Audit Committee
Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates
Sioux Falls, South Dakota

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates as of June 30, 2017 and 2016, and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Correction of Error
As discussed in Note 16 to the consolidated financial statements, an error resulting in the overstatement of amounts previously recorded for beneficial interest in charitable trusts held by others and beginning net assets, and an understatement in revenue in the consolidated financial statements was discovered in 2017 by management of the Organization. Accordingly, amounts reported have been restated in the 2016 consolidated financial statements now presented, and an adjustment has been made to beginning of the year net assets as of June 30, 2015, to correct the error. Our opinion is not modified with respect to that matter.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements on pages 28 through 33, and the consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), on pages 34 through 36, are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2017 on our consideration of Lutheran Social Services of South Dakota, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Social Services of South Dakota, Inc.'s internal control over financial reporting and compliance.

Eide Bailly LLP

Sioux Falls, South Dakota
November 6, 2017

	2017	2016 (Restated)
Assets		
Cash and cash equivalents	$ 174,625	$ 393,174
Accounts receivable, net	1,917,897	1,681,118
Promises to give, net	939,805	712,033
Accrued income receivable	883,043	873,243
Prepaid expenses	226,890	52,114
Investments	4,900,937	5,856,492
Notes receivable	-	38,205
Restricted assets	195,971	457,092
Assets held under split-interest agreements	344,362	309,453
Other assets	26,929	32,239
Property held for future expansion	-	3,342,648
Property and equipment, net	15,177,763	11,221,743
	$ 24,788,222	$ 24,969,554
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 521,166	$ 398,121
Accrued liabilities	1,102,157	1,176,196
Liabilities under split-interest agreements	79,429	85,566
Line of credit	8,091	-
Interest rate swap agreement	215,598	332,143
Notes payable	6,776,905	7,926,724
Total liabilities	8,703,346	9,918,750
Net Assets		
Unrestricted	10,238,529	9,290,670
Temporarily restricted	5,846,347	5,760,134
Total net assets	16,084,876	15,050,804
	$ 24,788,222	$ 24,969,554

	2017		
	Unrestricted	Temporarily Restricted	Total
Public Support, Revenue, and Other Support			
Public support			
Contributions	$ 559,793	$ 922,446	$ 1,482,239
Church support	151,872	28,809	180,681
United Way	-	905,012	905,012
Fees and grants from government agencies	11,825,314	396	11,825,710
Other grants	74,768	333,631	408,399
Total public support	12,611,747	2,190,294	14,802,041
Revenue			
Client and program income	6,822,770	21,505	6,844,275
Adoptive income	212,000	-	212,000
Investment return	504,815	37,612	542,427
Rent income	427,464	-	427,464
Donated supplies income	71,264	-	71,264
Loss on impairment of property and equipment	-	-	-
Unrealized gain (loss) on interest rate swap agreement	116,545	-	116,545
Change in value of split-interest agreements	-	3,434	3,434
Miscellaneous income	117,658	1,870	119,528
Total revenue	8,272,516	64,421	8,336,937
Net assets released from restrictions	2,168,502	(2,168,502)	-
Total public support, revenue, and other support	23,052,765	86,213	23,138,978
Expenses			
Program services			
Residential services	6,443,943	-	6,443,943
Foster care	937,078	-	937,078
Behavioral health	2,784,232	-	2,784,232
Center for New Americans	3,624,522	-	3,624,522
Childcare services	1,621,542	-	1,621,542
Other services	3,134,371	-	3,134,371
Lutheran Housing Corporations	345,018	-	345,018
Supporting services			
Management and general	2,261,623	-	2,261,623
Development and foundation	952,577	-	952,577
Total expenses	22,104,906	-	22,104,906
Change in Net Assets	947,859	86,213	1,034,072
Net Assets, Beginning of Year	9,290,670	5,760,134	15,050,804
Net Assets, End of Year	$ 10,238,529	$ 5,846,347	$ 16,084,876

2016 (Restated)		
Unrestricted	Temporarily Restricted	Total
$ 712,567	$ 1,062,872	$ 1,775,439
157,962	62,850	220,812
-	858,983	858,983
12,654,981	-	12,654,981
123,905	483,125	607,030
13,649,415	2,467,830	16,117,245
6,098,160	18,404	6,116,564
215,807	-	215,807
56,879	881	57,760
383,356	-	383,356
95,152	21,756	116,908
(2,439,592)	-	(2,439,592)
(33,058)	-	(33,058)
-	2,561	2,561
175,319	2,224	177,543
4,552,023	45,826	4,597,849
1,603,241	(1,603,241)	-
19,804,679	910,415	20,715,094
6,357,956	-	6,357,956
924,906	-	924,906
2,562,401	-	2,562,401
3,873,374	-	3,873,374
1,721,998	-	1,721,998
3,740,031	-	3,740,031
406,399	-	406,399
2,052,941	-	2,052,941
923,109	-	923,109
22,563,115	-	22,563,115
(2,758,436)	910,415	(1,848,021)
12,049,106	4,849,719	16,898,825
$ 9,290,670	$ 5,760,134	$ 15,050,804

	Program Services				
	Residential Services	Foster Care	Behavioral Health	Center for New Americans	Childcare Services
Salaries	$ 4,123,429	$ 212,942	$ 1,799,563	$ 1,662,886	$ 995,924
Employee health and retirement benefits and housing allowance	376,640	33,192	151,875	131,447	87,770
Payroll taxes	373,022	17,732	153,493	142,799	84,776
Travel	80,867	17,754	101,567	62,956	9,979
Conference and training	43,402	4,089	21,419	49,904	10,941
Professional fees	155,136	2,671	60,182	233,397	5,880
Client related expenses	381,191	604,461	24,576	1,004,769	121,657
Supplies	75,300	1,791	25,696	35,468	15,668
Communications	38,771	6,586	43,850	33,887	8,196
Occupancy expenses	418,235	27,698	240,762	212,730	214,252
Outside printing	18,380	1,916	40,913	4,642	15,191
Dues and subscriptions	5,292	643	4,625	11,739	50
Building and equipment maintenance	3,352	22	-	-	-
Uncollectibles	8,997	-	62,612	173	-
Donated supplies	1,000	-	-	-	-
Miscellaneous expenses	42,977	603	17,550	33,342	6,010
	6,145,991	932,100	2,748,683	3,620,139	1,576,294
Depreciation	297,952	4,978	35,549	4,383	45,248
	$ 6,443,943	$ 937,078	$ 2,784,232	$ 3,624,522	$ 1,621,542

			Supporting Services			
Other Services	Lutheran Housing Corporations	Total Program Services	Management and General	Development and Foundation	Total Supporting Services	Total Expenses
$ 1,833,130	$ 56,093	$ 10,683,967	$ 1,161,678	$ 429,257	$ 1,590,935	$ 12,274,902
187,084	5,034	973,042	153,412	53,597	207,009	1,180,051
151,854	6,653	930,329	59,179	30,773	89,952	1,020,281
122,124	-	395,247	31,175	12,764	43,939	439,186
117,054	-	246,809	41,333	10,291	51,624	298,433
141,961	52,101	651,328	240,244	60,877	301,121	952,449
92,240	-	2,228,894	5,347	-	5,347	2,234,241
112,972	19,134	286,029	79,908	25,305	105,213	391,242
73,187	37	204,514	37,656	13,113	50,769	255,283
94,911	128,552	1,337,140	168,025	112,491	280,516	1,617,656
69,334	7,138	157,514	3,104	110,204	113,308	270,822
6,767	50	29,166	9,630	5,124	14,754	43,920
353	-	3,727	89	-	89	3,816
-	7,444	79,226	18,943	-	18,943	98,169
908	-	1,908	-	39,356	39,356	41,264
21,309	1,563	123,354	107,871	37,651	145,522	268,876
3,025,188	283,799	18,332,194	2,117,594	940,803	3,058,397	21,390,591
109,183	61,219	558,512	144,029	11,774	155,803	714,315
$ 3,134,371	$ 345,018	$ 18,890,706	$ 2,261,623	$ 952,577	$ 3,214,200	$ 22,104,906

	Program Services				
	Residential Services	Foster Care	Behavioral Health	Center for New Americans	Childcare Services
Salaries	$ 4,045,471	$ 196,962	$ 1,725,753	$ 1,807,604	$ 1,041,483
Employee health and retirement benefits and housing allowance	308,610	29,203	142,899	140,662	99,113
Payroll taxes	378,290	16,564	145,651	160,332	89,930
Travel	75,420	16,230	78,018	64,468	11,902
Conference and training	56,773	11,667	41,524	62,336	10,673
Professional fees	193,952	2,621	28,862	262,839	20,045
Client related expenses	370,275	605,327	28,263	1,031,553	139,782
Supplies	75,224	3,388	42,529	33,992	16,179
Communications	19,734	4,912	52,569	36,757	9,057
Occupancy expenses	437,222	24,672	109,739	229,822	215,591
Outside printing	4,639	5,110	49,902	3,600	5,513
Dues and subscriptions	8,738	456	5,152	5,291	244
Building and equipment maintenance	2,212	1	176	-	2,012
Uncollectibles	127	-	31,413	-	-
Donated supplies	49,409	3,720	437	1,631	9,779
Miscellaneous expenses	34,906	1,155	24,752	30,129	6,713
	6,061,002	921,988	2,507,639	3,871,016	1,678,016
Depreciation	296,954	2,918	54,762	2,358	43,982
	$ 6,357,956	$ 924,906	$ 2,562,401	$ 3,873,374	$ 1,721,998

Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

			Supporting Services			
Other Services	Lutheran Housing Corporations	Total Program Services	Management and General	Development and Foundation	Total Supporting Services	Total Expenses
$ 2,059,835	$ 38,812	$ 10,915,920	$ 1,096,038	$ 450,783	$ 1,546,821	$ 12,462,741
194,234	-	914,721	94,836	51,504	146,340	1,061,061
180,967	-	971,734	58,006	32,331	90,337	1,062,071
168,400	-	414,438	9,623	21,179	30,802	445,240
128,555	-	311,528	47,242	25,495	72,737	384,265
135,586	33,479	677,384	218,648	63,096	281,744	959,128
139,674	-	2,314,874	310	-	310	2,315,184
142,475	14,805	328,592	73,445	31,153	104,598	433,190
71,565	-	194,594	28,706	23,940	52,646	247,240
312,311	179,645	1,509,002	182,717	30,141	212,858	1,721,860
76,309	4,413	149,486	999	127,541	128,540	278,026
6,780	50	26,711	15,199	4,847	20,046	46,757
3	-	4,404	1	195	196	4,600
-	-	31,540	4,750	-	4,750	36,290
13,110	-	78,086	-	17,066	17,066	95,152
20,334	741	118,730	93,916	32,218	126,134	244,864
3,650,138	271,945	18,961,744	1,924,436	911,489	2,835,925	21,797,669
89,893	134,454	625,321	128,505	11,620	140,125	765,446
$ 3,740,031	$ 406,399	$ 19,587,065	$ 2,052,941	$ 923,109	$ 2,976,050	$ 22,563,115

	2017	2016 (Restated)
Operating Activities		
Change in net assets	$ 1,034,072	$ (1,848,021)
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Depreciation	714,315	765,446
In-kind donations of property and equipment	(30,000)	(71,756)
(Gain) loss on sale of property and equipment	(29,983)	2,207
Loss on impairment of property and equipment	-	2,439,592
Unrealized (gain) loss on interest rate swap agreement	(116,545)	33,058
Change in value of split-interest agreements	(3,434)	(2,561)
Investment (gain) loss	(360,462)	191,719
Change in discount on promises to give	10,121	33,774
Contributions restricted for capital	(746,372)	(919,729)
Change in assets and liabilities		
Accounts receivable, net	(236,779)	(262,216)
Promises to give, net	(8,921)	13,309
Accrued income receivable	(9,800)	246,623
Prepaid expenses and other assets	(169,466)	11,430
Accounts payable	(15,445)	(2,671)
Accrued liabilities	(74,039)	140,731
Deferred revenue	-	(9,848)
Net Cash (used for) from Operating Activities	(42,738)	761,087
Investing Activities		
Purchase of long-term investments	(1,171,358)	(766,196)
Sales and maturities of long-term investments	2,452,466	1,035,995
Change in restricted assets	261,121	(222,029)
Cash received on notes receivable	38,205	216,068
Purchases of property held for future expansion	-	(73,673)
Cash received on sale of property and equipment	3,121	10,140
Net purchases of property and equipment	(1,299,281)	(363,593)
Net Cash from (used for) Investing Activities	284,274	(163,288)
Financing Activities		
Principal payments on long-term debt	(982,873)	(1,073,336)
Net change in line of credit	8,091	(636,914)
Collections of contributions restricted for capital	517,400	198,785
Payments to beneficiaries of split-interest agreements	(2,703)	(990)
Net Cash used for Financing Activities	(460,085)	(1,512,455)
Net Change in Cash and Cash Equivalents	(218,549)	(914,656)
Beginning Cash and Cash Equivalents	393,174	1,307,830
Ending Cash and Cash Equivalents	$ 174,625	$ 393,174

	2017	2016
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 177,467	$ 204,283
Supplemental Disclosures of Noncash Investing and Financing Activities		
Note receivable issued for sale of property and equipment	$ -	$ 40,000
Accounts payable for property and equipment	$ 138,490	$ -
Property held for future expansion financed with long-term debt	$ -	$ 3,268,975
Repayment of long-term debt upon sale of property and equipment	$ 166,946	$ -

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Lutheran Social Services of South Dakota, Inc. and consolidated affiliates (the Organization) are nonprofit corporations organized under the laws of the State of South Dakota for the purpose of providing social services with the church and other community health and welfare organizations. The Organization has the following program service areas:

Residential Services

The Organization provides treatment for youth who have significant mental health, emotional and behavioral issues. The Organization also provides treatment for youth who cannot function in their home environments and are disruptive in their schools and communities. The Organization provides 24-hour care for boys and girls ages 10 to 17 through two psychiatric residential treatment programs and one group care program.

Foster Care

The Organization's foster homes offer a safe, nurturing environment. Foster parents provide 24-hour care and supervision for children who are separated from their families. Foster families and the Organization social worker coordinate activities to fulfill the goals and objectives of the child's and family's service and treatment plan.

Behavioral Health

The Organization provides mental health counseling and substance abuse counseling for individuals and families throughout the state of South Dakota.

Center for New Americans

The Center for New Americans helps refugees become self-sufficient through a variety of services, including community orientation, case management, employment services, English classes, citizenship classes and immigration services.

Childcare Services

The Organization offers daycare, preschool, afterschool and summer programs, and infant and toddler enrichment, emphasizing hands-on, enriching activities that keep children engaged in learning.

Other Services

The Organization provides a variety of other services, including the Center for Financial Resources, Adoption Services, Disaster Response, Fatherhood and Re-Entry Services, Kinship Services, Independent Living Services, and Mentoring Services. None of these other service programs individually exceed $605,000 and $719,000 of program expenses for the years ended June 30, 2017 and 2016, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of Lutheran Social Services of South Dakota Foundation, Inc. (Foundation), Lutheran Housing Corporation/Broadway, Lutheran Housing Corporation/Meadowlands, Lutheran Housing Corporation/Northport, and Lutheran Housing Corporation/Prairie Lakes, which are nonprofit South Dakota corporations under common control. Lutheran Housing Corporation/Broadway, Lutheran Housing Corporation/Meadowlands, Lutheran Housing Corporation/Northport, and Lutheran Housing Corporation/Prairie Lakes were formed for the purpose of developing elderly/family congregate housing projects. All inter-organization transactions were eliminated in the accompanying consolidated financial statements.

Lutheran Housing Corporation/Meadowlands sold all of its property and equipment effective January 13, 2017. Lutheran Housing Corporation/Broadway sold all of its property and equipment effective June 30, 2017.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, or other long-term purposes of the Organization, are excluded from this definition.

Receivables and Credit Policies

Accounts receivables are uncollateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivables are stated at the amount billed. Account balances with invoices dated over 60 days old are considered delinquent.

Payments of accounts receivables and notes receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2017 and 2016, the allowance was $50,158 and $31,215, respectively.

Promises to Give

The Organization records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There was no allowance considered necessary as of June 30, 2017 and 2016.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment gain (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses.

Assets Held and Liabilities Under Split-Interest Agreements

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Fair Value Measurements

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

Property Held for Future Expansion

Property held for future expansion consisted of the land and building purchased under the contract for deed to Kilian Community College in Sioux Falls, South Dakota. During 2017, the Organization began renovating the property to be used as office space, and transferred the property to work in process. As of June 30, 2016, the property included land of $1,627,574 and building of $1,715,074. The Organization did not record depreciation on the property until April 2017 when it was placed into service.

Property and Equipment

Property and equipment additions over $2,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Depreciation expense is allocated to the various functions on a specific basis for certain assets and on a square footage basis for certain other assets. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. In 2016 the Organization entered into agreements to transfer ownership of two Lutheran Housing Corporation entities in 2017. The Organization evaluated the recoverability of the properties and reduced the carrying value of the properties to estimated fair market value as determined by an estimated cash flow analysis. The Organization recorded impairment losses of $-0- and $2,439,592 during the years ended June 30, 2017 and 2016, respectively.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and organizations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Interest Rate Swap Agreement

The Organization uses an interest-rate swap to mitigate interest-rate risk on a note payable (Note 9). The related liability or asset is reported at fair value in the consolidated statements of financial position, and unrealized losses or gains are included in the consolidated statements of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's Board of Directors.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The Organization had no permanently restricted net assets.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Donated materials and services for the years ended June 30, 2017 and 2016, were approximately $71,000 and $117,000, respectively.

Management estimates that volunteers donated approximately 63,400 and 51,600 hours of service in 2017 and 2016, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon specific identification where possible and estimates made by management.

Advertising

Advertising and promotion costs are expensed as incurred. Such costs were $237,366 and $248,213 for the years ended June 30, 2017 and 2016, respectively.

Fundraising

The Organization incurred expenses amounting to $952,577 and $923,109 for the years ended June 30, 2017 and 2016, respectively, related to development and fundraising. Such amounts are reflected as development and foundation expenses in the accompanying consolidated statements of activities.

Income Taxes

Lutheran Social Services of South Dakota, Inc. and consolidated corporations are organized as South Dakota nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 presentation. The reclassifications had no effect on previously reported change in net assets.

Note 2 - Cash and Cash Equivalents

	2017	2016
Undesignated		
Cash on hand	$ 2,945	$ 3,095
Cash in checking	129,241	351,809
Total undesignated	132,186	354,904
Designated for apartment project operations	42,439	38,270
Total cash and cash equivalents	$ 174,625	$ 393,174

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017 and 2016:

	2017	2016
Within one year	$ 485,698	$ 313,712
In one to five years	498,002	432,095
Total promises to give	983,700	745,807
Less discount to net present value at 5.5%	(43,895)	(33,774)
Promises to give, net	$ 939,805	$ 712,033

At June 30, 2017 and 2016, there were unconditional promises to give from employees and board members totaling $228,840 and $313,823, respectively. Total contribution revenues from employees and board members were $95,583 and $498,018 for the years ended June 30, 2017 and 2016, respectively.

The Foundation has been named as a revocable beneficiary of several charitable trusts held and administered by an independent trustee. These trusts were created independently by donors and are administered by the Evangelical Lutheran Church in America (ELCA) as designated by the donors. Therefore, the Foundation has neither possession nor control over the assets of the trusts, and therefore the future gifts are considered intentions to give. The fair value provided by ELCA using present value techniques and risk-adjusted discount rates of the intentions to give were $198,772 and $206,162 at June 30, 2017 and 2016, respectively. The contributions are recognized as revenue at the time the beneficiary designation becomes irrevocable.

Note 4 - Investments

	2017	2016
Cash and cash equivalents	$ 139,302	$ 146,332
Certificates of deposit	556,959	823,353
Mutual funds - equity securities	2,770,369	3,342,519
Mutual funds - fixed income	1,766,372	1,842,577
Life insurance policies	12,297	11,164
Total investments	$ 5,245,299	$ 6,165,945

The above investments are included on the consolidated statements of financial position as:

	2017	2016
Investments	$ 4,900,937	$ 5,856,492
Assets held under split-interest agreements	344,362	309,453
	$ 5,245,299	$ 6,165,945

The investment return for the years ended June 30, 2017 and 2016, consists of the following components:

	2017	2016
Interest earned, dividends received, and mutual fund capital gains reinvested	$ 181,965	$ 249,479
Realized and unrealized gain (loss) on securities	360,462	(191,719)
	$ 542,427	$ 57,760

Note 5 - Fair Value of Investments

Assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016 are as follows:

	2017	2016 (Restated)
Certificates of deposit	$ 556,959	$ 823,353
Mutual funds	4,536,741	5,185,096
Total assets	$ 5,093,700	$ 6,008,449
Liabilities under split-interest agreements	$ 79,429	$ 85,566
Interest rate swap agreement	215,598	332,143
Total liabilities	$ 295,027	$ 417,709

The related fair values of these assets and liabilities are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2017			
Certificates of deposit	$ -	$ 556,959	$ -
Mutual funds	4,536,741	-	-
Total assets	$ 4,536,741	$ 556,959	$ -
Liabilities under split-interest agreements	$ -	$ -	$ 79,429
Interest rate swap agreement	-	215,598	-
Total liabilities	$ -	$ 215,598	$ 79,429
June 30, 2016 (Restated)			
Certificates of deposit	$ -	$ 823,353	$ -
Mutual funds	5,185,096	-	-
Total assets	$ 5,185,096	$ 823,353	$ -
Liabilities under split-interest agreements	$ -	$ -	$ 85,566
Interest rate swap agreement	-	332,143	-
Total liabilities	$ -	$ 332,143	$ 85,566

The fair value for mutual funds is determined by reference to quoted market prices. The certificates of deposit are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. For charitable remainder trusts, fair value is estimated at present value of future cash flows. For the interest rate swap agreement, fair value is estimated at the present value of expected future cash flows. The fair value of the interest rate swap is based upon estimates of the related LIBOR swap rate during the term of the swap agreement.

Following is a reconciliation of activity for assets/liabilities measured at fair value based upon significant unobservable (non-market) inputs (Level 3) for 2016 and 2017:

	Liabilities Under Split-Interest Agreements
Balance, July 1, 2015	$ (89,117)
Change in value	2,561
Settlements	990
Balance, June 30, 2016	(85,566)
Change in value	3,434
Settlements	2,703
Balance, June 30, 2017	$ (79,429)

Note 6 - Restricted Assets

Pursuant to the regulatory agreements and mortgage agreements with the South Dakota Housing Development Authority and the U.S. Department of Housing and Urban Development, the Lutheran Housing Corporations are required to provide cash escrow accounts to fund repairs and maintenance expenses, insurance expenses, development costs, and residual receipts. Total restricted assets related to these agreements as of June 30, 2017 and 2016, were $195,971 and $258,307, respectively.

The regulatory agreements and mortgage agreements with the South Dakota Housing Development Authority and the U.S. Department of Housing and Urban Development also provide for restrictive operating procedure and loan covenants. As of June 30, 2017, management believes the Lutheran Housing Corporations are in compliance with these agreements.

During 2016, the Organization received promises to give to be used primarily for the purchase and renovation of property referred to as Campus on East Bank Campaign. As of June 30, 2016 the Organization had received cash contributions with donor imposed purpose restrictions totaling $198,785 that were included in restricted assets. During 2017, the Organization began renovating the property and the donor funds received were released from restrictions.

Note 7 - Property and Equipment

		2017			2016
	Useful Life	Cost	Accumulated Depreciation	Net	Net
Land		$ 2,655,942	$ -	$ 2,655,942	$ 1,043,367
Buildings and improvements	15 - 40 years	15,812,664	5,157,845	10,654,819	9,348,019
Furniture and equipment	7 - 14 years	3,153,242	2,785,826	367,416	500,805
Automobiles	3 - 5 years	765,577	536,316	229,261	307,796
Work in process		1,270,325	-	1,270,325	21,756
		$ 23,657,750	$ 8,479,987	$ 15,177,763	$ 11,221,743

Property acquired with federal HUD grants is considered owned by the Organization; however, the grantor agency has interests in certain property. The amount of property acquired with these grants was $3,531,483 at June 30, 2017 and 2016, and is reflected as temporarily restricted net assets.

Note 8 - Line of Credit

A line-of-credit agreement has been executed in the total amount of $750,000 on a revolving basis. This line-of-credit expires on January 31, 2018 and is secured by all cash and equipment. Interest on unpaid principal is payable monthly at a rate of 1.25% over the Prime Rate set from time to time by the lender, with a minimum rate of 5.25%. The balance outstanding on this line-of-credit at June 30, 2017 and 2016 was $8,091 and $-0-, respectively.

Note 9 - Notes Payable

	2017	2016
Wells Fargo, 0.89% bond dated October 29, 1997, collateralized by substantially all the organization's real estate, payable in monthly installments of $10,933, including interest through November 1, 2017	$ 49,549	$ 173,422
3.65% imputed interest, contract for deed to Kilian Community College, due in monthly installments of $50,000 through December 31, 2017, when full payment is due, secured by real estate	2,361,947	2,864,045
3.75% note payable to Mission Investment Fund of the Evangelical Lutheran Church in America, interest only payments until February 1, 2016, thereafter monthly principal and interest payments of $1,768 through January 1, 2018, when full payment is due, secured by a certificate of deposit	260,337	269,429
1% note payable to U.S. Department of Housing and Urban Development, repaid upon sale of residential buildings (Meadowlands Apartments)	-	78,690
Zero interest note payable to South Dakota Housing Development Authority, repaid upon sale of residential buildings (Broadway Apartments)	-	92,185
Zero interest note payable to South Dakota Housing Development Authority, repaid upon sale of residential buildings (Meadowlands Apartments)	-	15,050
Zero interest note payable to South Dakota Housing Development Authority, repaid upon sale of residential buildings (Meadowlands Apartments)	-	36,000
Variable rate (3.17% at June 30, 2017) note payable to First Interstate Bank, due in monthly installments of $6,670, including interest, due August 1, 2025, secured by real property (Canyon Hills)	387,510	455,530
Variable rate (1.506% at June 30, 2017) Minnehaha County, South Dakota Economic Development Revenue Bonds, Series 2006, due in varying monthly installments increasing annually, plus interest, due February 1, 2027, secured by real property	2,423,706	2,614,122
3.75% note payable to State Bank of Alcester, due in monthly installments of $2,380, including interest, due March 1, 2033, secured by real property (New Alternatives)	338,106	354,752
4.125% note payable to U.S. Department of Agriculture, due in monthly installments of $4,793, including interest, due July 27, 2045, secured by real property (Canyon Hills)	955,750	973,499
	$ 6,776,905	$ 7,926,724

To minimize the effect of changes in the interest rate, in October 2006, the Organization entered into an interest rate swap agreement on $3,000,000 of the South Dakota Economic Development Revenue Series 2006 bonds to set the interest at a fixed rate of 4.81% until maturity. Under the agreement, the Organization either pays additional interest or receives an interest credit depending on the relationship between the variable rate and the fixed rate. The Organization recorded unrealized gains of $116,545 and unrealized losses of $33,058 relating to the agreement for the years ended June 30, 2017 and 2016, respectively. Accordingly, the Organization recorded interest rate exchange liabilities equal to the estimated market value in the consolidated statements of financial position as of June 30, 2017 and 2016 of $215,598 and $332,143, respectively.

Interest expense for the years ended June 30, 2017 and 2016, was $280,678 and $294,664, respectively. Minimum principal payments on the notes are as follows for the years ending June 30:

2018	$ 2,975,951
2019	317,991
2020	332,443
2021	347,642
2022	363,625
Thereafter	2,439,253
	$ 6,776,905

The Minnehaha County bond covenants require the Organization to meet certain financial ratios and other requirements. Management believes that the Organization was in compliance with these requirements for the year ended June 30, 2017.

Note 10 - Net Assets

	2017	2016 (Restated)
Unrestricted net assets		
Designated by the board of the foundation for endowment purposes	$ 4,347,370	$ 4,463,081
Designated for apartment project operations (checking account)	42,439	38,270
Undesignated	5,848,720	4,789,319
	10,238,529	9,290,670
Temporarily restricted net assets		
Restricted for		
Time restricted contributions-split interest agreements	264,933	223,887
Time restricted contributions-United Way contributions	623,284	549,819
Refugee resettlement and placement	73,276	69,518
Disaster response	134,239	215,748
Community services	149,628	142,782
Children and youth programs	33,869	12,169
Capital campaign - future development	940,635	919,728
Capital assets	3,626,483	3,626,483
	5,846,347	5,760,134
Total net assets	$ 16,084,876	$ 15,050,804

Net assets were released from donor restrictions by incurring the expenses satisfying the restricted purposes or by occurrence of events specified by donors.

	2017		2016	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Time restricted contributions- United Way	$ 831,548	$ (831,548)	$ 817,988	$ (817,988)
Refugee resettlement and placement	127,715	(127,715)	63,777	(63,777)
Disaster response	289,870	(289,870)	488,422	(488,422)
Community services	149,269	(149,269)	162,332	(162,332)
Children and youth programs	44,634	(44,634)	48,966	(48,966)
Capital campaign - future development	725,466	(725,466)	21,756	(21,756)
Total net assets released from restrictions	$ 2,168,502	$ (2,168,502)	$ 1,603,241	$ (1,603,241)

Note 11 - Endowment Net Asset Composition by Type of Fund

The Organization's endowment consists of funds that have been gifted to the Organization by donors with no restrictions and have been designated as funds functioning as endowment by the board of directors. In the event that funds received by the Organization in the future are endowed by the donor, they will be treated as permanently restricted. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Lutheran Social Services will classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 in permanently restricted net assets will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization will consider the following factors in making a determination to accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund,
(2) The purposes of the organization and 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.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 4,347,370	$ -	$ -	$ 4,347,370

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ 4,463,081	$ -	$ -	$ 4,463,081
Investment return:				
Investment income	154,377	-	-	154,377
Net realized and unrealized appreciation	313,116	-	-	313,116
Appropriation of endowment assets for expenditure	(799,776)	-	-	(799,776)
Other changes:				
Transfers to create board-designated funds	216,572	-	-	216,572
Endowment net assets, June 30, 2017	$ 4,347,370	$ -	$ -	$ 4,347,370

Endowment Net Asset Composition by Type of Fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 4,463,081	$ -	$ -	$ 4,463,081

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ 4,631,669	$ -	$ -	$ 4,631,669
Investment return:				
Investment income	190,589	-	-	190,589
Net realized and unrealized depreciation	(170,137)	-	-	(170,137)
Appropriation of endowment assets for expenditure	(399,584)	-	-	(399,584)
Other changes:				
Transfers to create board-designated funds	210,544	-	-	210,544
Endowment net assets, June 30, 2016	$ 4,463,081	$ -	$ -	$ 4,463,081

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for investment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Investment assets include those assets of donor-specific funds that the Organization will designate for a specific purpose as well as board-designated funds. Under this policy, the assets are invested in a manner that seeks both preservation of capital and growth of capital on a real return basis. Asset allocation guidelines have been established for the assets based on liquidity needs and time horizon. The rebalancing of assets will occur annually, or as needed and will be reviewed by the board of directors. During the course of a complete market cycle, the total return objective shall be to achieve a return greater than capital market returns with a similarly weighted asset allocation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Note 12 - Leases

The Organization leases certain property, building space, and vehicles under various lease agreements with varying terms. Total lease expense for all operating leases and rental agreements was $492,118 and $545,538 for the years ended June 30, 2017 and 2016, respectively.

Minimum future lease payments for non-cancelable operating leases are as follows:

Years Ending June 30,	
2018	$ 475,542
2019	389,381
2020	167,281
2021	131,641
2022	64,001
Thereafter	71
	$ 1,227,917

Note 13 - Pension Plan

The Organization has a 401(k) (defined contribution) pension plan covering all employees who work over 1,000 hours per year, excluding all commission employees. The Organization contributes 2.5% of the respective employees' base pay to the plan. Pension expense was $163,132 and $159,147 for the years ended June 30, 2017 and 2016, respectively.

Note 14 - Support from Governmental Units

The Organization receives a substantial amount of its support from federal, state, and local governments. A significant reduction in the level of this support, if it were to occur, may have a significant effect on the Organization's programs and activities.

Note 15 - Subsequent Events

The Organization has evaluated subsequent events through November 6, 2017, the date which the consolidated financial statements were available to be issued.

Note 16 - Correction of Error

During 2017, management determined that the beneficiaries designations within the charitable trusts held by others were revocable and therefore the beneficial interest in charitable trusts held by others should not be recorded in the consolidated statements of financial position until such time that they become irrevocable. Correction of this error resulted in the restatement of the prior year financial statements.

The restatement as of and for the year ended June 30, 2016 affected the following:

	As Previously Reported	As Restated	Adjustment
Consolidated Statements of Financial Position			
Beneficial interest in charitable trusts held by others	$ 206,162	$ -	$ (206,162)
Total assets	25,175,716	24,969,554	(206,162)
Temporarily restricted net assets	5,966,296	5,760,134	(206,162)
Total net assets	15,256,966	15,050,804	(206,162)
Total liabilities and net assets	25,175,716	24,969,554	(206,162)

	As Previously Reported		
	Unrestricted	Temporarily Restricted	Total
Consolidated Statements of Activities			
Distributions from and change in value of beneficial interest in charitable trusts	$ -	$ (39,338)	$ (39,338)
Total revenue	4,552,023	6,488	4,558,511
Total public support, revenue, and other support	19,804,679	871,077	20,675,756
Change in net assets	(2,758,436)	871,077	(1,887,359)
Net assets, beginning of year	12,049,106	5,095,219	17,144,325
Net assets, end of year	9,290,670	5,966,296	15,256,966

	As Restated		
	Unrestricted	Temporarily Restricted	Total
Consolidated Statements of Activities			
Distributions from and change in value of beneficial interest in charitable trusts	$ -	$ -	$ -
Total revenue	4,552,023	45,826	4,597,849
Total public support, revenue, and other support	19,804,679	910,415	20,715,094
Change in net assets	(2,758,436)	910,415	(1,848,021)
Net assets, beginning of year	12,049,106	4,849,719	16,898,825
Net assets, end of year	9,290,670	5,760,134	15,050,804

	Adjustment		
	Unrestricted	Temporarily Restricted	Total
Consolidated Statements of Activities			
Distributions from and change in value of beneficial interest in charitable trusts	$ -	$ 39,338	$ 39,338
Total revenue	-	39,338	39,338
Total public support, revenue, and other support	-	39,338	39,338
Change in net assets	-	39,338	39,338
Net assets, beginning of year	-	(245,500)	(245,500)
Net assets, end of year	-	(206,162)	(206,162)

	As Previously Reported	As Restated	Adjustment
Consolidated Statements of Cash Flows			
Change in net assets	$ (1,887,359)	$ (1,848,021)	$ 39,338
Change in value of beneficial interest in charitable trusts held by others	39,338	-	(39,338)
Notes to Consolidated Financial Statements			
Fair Value of Investments			
Beneficial interest in charitable trusts held by others	206,162	-	(206,162)
Total assets	6,214,611	6,008,449	(206,162)
Unobservable inputs (level 3)			
Beneficial interest in charitable trusts held by others	206,162	-	(206,162)
Total assets	206,162	-	(206,162)
Beneficial interest in charitable trusts			
Balance, July 1, 2015	245,500	-	(245,500)
Change in value	(39,338)	-	39,338
Balance, June 30, 2016	206,162	-	(206,162)
Net Assets			
Temporarily restricted net assets			
Restricted for			
ELCA and other annuities	206,162	-	(206,162)
Total temporarily restricted net assets	5,966,296	5,760,134	(206,162)
Total net assets	15,256,966	15,050,804	(206,162)

Supplementary Information
June 30, 2017 and 2016

Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates

	Lutheran Social Services of South Dakota, Inc.	Lutheran Social Services of South Dakota Foundation, Inc.	Lutheran Housing Corporations	Eliminations	Total
Assets					
Cash and cash equivalents	$ 130,566	$ 1,620	$ 42,439	$ -	$ 174,625
Accounts receivable, net	1,917,897	-	-	-	1,917,897
Promises to give, net	938,005	1,800	-	-	939,805
Accrued income receivable	883,043	-	-	-	883,043
Prepaid expenses	226,278	-	612	-	226,890
Due from related entity	17,370	-	-	(17,370)	-
Investments	556,987	4,343,950	-	-	4,900,937
Restricted assets	-	-	195,971	-	195,971
Assets held under split-interest agreements	-	344,362	-	-	344,362
Other assets	26,929	-	-	-	26,929
Property and equipment, net	14,722,851	-	454,912	-	15,177,763
	$ 19,419,926	$ 4,691,732	$ 693,934	$ (17,370)	$ 24,788,222
Liabilities and Net Assets					
Accounts payable	$ 472,742	$ -	$ 48,424	$ -	$ 521,166
Due to related entity	-	-	17,370	(17,370)	-
Accrued liabilities	1,086,573	-	15,584	-	1,102,157
Liabilities under split-interest agreements	-	79,429	-	-	79,429
Line of credit	8,091	-	-	-	8,091
Interest rate swap agreement	215,598	-	-	-	215,598
Notes payable	6,776,905	-	-	-	6,776,905
Total liabilities	8,559,909	79,429	81,378	(17,370)	8,703,346
Unrestricted	8,905,086	4,347,370	(3,013,927)	-	10,238,529
Temporarily restricted	1,954,931	264,933	3,626,483	-	5,846,347
Total net assets	10,860,017	4,612,303	612,556	-	16,084,876
	$ 19,419,926	$ 4,691,732	$ 693,934	$ (17,370)	$ 24,788,222

	Lutheran Social Services of South Dakota, Inc.	Lutheran Social Services of South Dakota Foundation, Inc.	Lutheran Housing Corporations	Eliminations	Total
Assets					
Cash and cash equivalents	$ 354,879	$ 25	$ 38,270	$ -	$ 393,174
Accounts receivable, net	1,674,602	-	6,516	-	1,681,118
Promises to give, net	708,607	3,426	-	-	712,033
Accrued income receivable	873,243	-	-	-	873,243
Prepaid expenses	52,114	-	-	-	52,114
Due from related entity	-	39,262	-	(39,262)	-
Investments	1,436,124	4,420,368	-	-	5,856,492
Notes receivable	38,205	-	-	-	38,205
Restricted assets	198,785	-	258,307	-	457,092
Assets held under split-interest agreements	-	309,453	-	-	309,453
Other assets	32,239	-	-	-	32,239
Property held for future expansion	3,342,648	-	-	-	3,342,648
Property and equipment, net	10,642,707	-	579,036	-	11,221,743
	$ 19,354,153	$ 4,772,534	$ 882,129	$ (39,262)	$ 24,969,554
Liabilities and Net Assets					
Accounts payable	$ 329,185	$ -	$ 68,936	$ -	$ 398,121
Due to related entity	39,202	-	60	(39,262)	-
Accrued liabilities	1,158,381	-	17,815	-	1,176,196
Liabilities under split-interest agreements	-	85,566	-	-	85,566
Interest rate swap agreement	332,143	-	-	-	332,143
Notes payable	7,704,799	-	221,925	-	7,926,724
Total liabilities	9,563,710	85,566	308,736	(39,262)	9,918,750
Unrestricted	7,880,679	4,463,081	(3,053,090)	-	9,290,670
Temporarily restricted	1,909,764	223,887	3,626,483	-	5,760,134
Total net assets	9,790,443	4,686,968	573,393	-	15,050,804
	$ 19,354,153	$ 4,772,534	$ 882,129	$ (39,262)	$ 24,969,554

	Lutheran Social Services of South Dakota, Inc.		Lutheran Social Services of South Dakota Foundation, Inc.	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Public Support, Revenue, and Other Support				
Public support				
Contributions	$ 323,523	$ 922,446	$ 236,270	$ -
Church support	151,872	28,809	-	-
United Way	-	905,012	-	-
Fees and grants from government agencies	11,825,314	396	-	-
Other grants	74,768	333,631	-	-
Total public support	12,375,477	2,190,294	236,270	-
Revenue				
Client and program income	6,822,770	21,505	-	-
Adoptive income	212,000	-	-	-
Investment return	37,322	-	467,493	37,612
Rent income	140,854	-	-	-
Donated supplies income	71,264	-	-	-
Unrealized gain on interest rate swap agreement	116,545	-	-	-
Change in value of split-interest agreements	-	-	-	3,434
Miscellaneous income (loss)	74,157	1,870	(19,658)	-
Total revenue	7,474,912	23,375	447,835	41,046
Net assets released from restrictions	2,168,502	(2,168,502)	-	-
Total public support, revenue, and other support	22,018,891	45,167	684,105	41,046
Expenses				
Program services				
Residential services	6,443,943	-	-	-
Foster care	937,078	-	-	-
Behavioral health	2,784,232	-	-	-
Center for New Americans	3,624,522	-	-	-
Childcare services	1,621,542	-	-	-
Other services	3,134,371	-	-	-
Lutheran Housing Corporations	-	-	-	-
Supporting services				
Management and general	2,261,583	-	40	-
Development and foundation	952,577	-	-	-
Total expenses	21,759,848	-	40	-
Excess of Public Support, Revenue, and Other Support over Expenses	259,043	45,167	684,065	41,046
Intercompany Transfers	765,364	-	(799,776)	-
Change in Net Assets	1,024,407	45,167	(115,711)	41,046
Net Assets, Beginning of Year	7,880,679	1,909,764	4,463,081	223,887
Net Assets, End of Year	$ 8,905,086	$ 1,954,931	$ 4,347,370	$ 264,933

Lutheran Housing Corporations			
Unrestricted	Temporarily Restricted	Eliminations	Total
$ -	$ -	$ -	$ 1,482,239
-	-	-	180,681
-	-	-	905,012
-	-	-	11,825,710
-	-	-	408,399
-	-	-	14,802,041
-	-	-	6,844,275
-	-	-	212,000
-	-	-	542,427
286,610	-	-	427,464
-	-	-	71,264
-	-	-	116,545
-	-	-	3,434
63,159	-	-	119,528
349,769	-	-	8,336,937
-	-	-	-
349,769	-	-	23,138,978
-	-	-	6,443,943
-	-	-	937,078
-	-	-	2,784,232
-	-	-	3,624,522
-	-	-	1,621,542
-	-	-	3,134,371
345,018	-	-	345,018
-	-	-	2,261,623
-	-	-	952,577
345,018	-	-	22,104,906
4,751	-	-	1,034,072
34,412	-	-	-
39,163	-	-	1,034,072
(3,053,090)	3,626,483	-	15,050,804
$ (3,013,927)	$ 3,626,483	$ -	$ 16,084,876

	Lutheran Social Services of South Dakota, Inc.		Lutheran Social Services of South Dakota Foundation, Inc.	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Public Support, Revenue, and Other Support				
Public support				
Contributions	$ 482,378	$ 1,062,872	$ 230,189	$ -
Church support	157,962	62,850	-	-
United Way	-	858,983	-	-
Fees and grants from government agencies	12,654,981	-	-	-
Other grants	123,905	483,125	-	-
Total public support	13,419,226	2,467,830	230,189	-
Revenue				
Client and program income	6,098,160	18,404	-	-
Adoptive income	215,807	-	-	-
Investment return	36,427	-	20,452	881
Rent income	97,307	-	-	-
Donated supplies income	95,152	21,756	-	-
Loss on impairment of property and equipment	-	-	-	-
Unrealized loss on interest rate swap agreement	(33,058)	-	-	-
Change in value of split-interest agreements	-	-	-	2,561
Miscellaneous income (loss)	147,630	2,224	(19,633)	-
Total revenue	6,657,425	42,384	819	3,442
Net assets released from restrictions	1,603,241	(1,603,241)	-	-
Total public support, revenue, and other support	21,679,892	906,973	231,008	3,442
Expenses				
Program services				
Residential services	6,357,956	-	-	-
Foster care	924,906	-	-	-
Behavioral health	2,562,401	-	-	-
Center for New Americans	3,873,374	-	-	-
Childcare services	1,721,998	-	-	-
Other services	3,740,031	-	-	-
Lutheran Housing Corporations	-	-	-	-
Supporting services				
Management and general	2,052,929	-	12	-
Development and foundation	923,109	-	-	-
Total expenses	22,156,704	-	12	-
Excess (Deficit) of Public Support, Revenue, and Other Support over Expenses	(476,812)	906,973	230,996	3,442
Intercompany Transfers	804,700	-	(399,584)	-
Change in Net Assets	327,888	906,973	(168,588)	3,442
Net Assets, Beginning of Year	7,552,791	1,002,791	4,631,669	220,445
Net Assets, End of Year	$ 7,880,679	$ 1,909,764	$ 4,463,081	$ 223,887

Lutheran Housing Corporations			
Unrestricted	Temporarily Restricted	Eliminations	Total
$ -	$ -	$ -	$ 1,775,439
-	-	-	220,812
-	-	-	858,983
-	-	-	12,654,981
-	-	-	607,030
-	-	-	16,117,245
-	-	-	6,116,564
-	-	-	215,807
-	-	-	57,760
286,049	-	-	383,356
-	-	-	116,908
(2,439,592)	-	-	(2,439,592)
-	-	-	(33,058)
-	-	-	2,561
47,322	-	-	177,543
(2,106,221)	-	-	4,597,849
-	-	-	-
(2,106,221)	-	-	20,715,094
-	-	-	6,357,956
-	-	-	924,906
-	-	-	2,562,401
-	-	-	3,873,374
-	-	-	1,721,998
-	-	-	3,740,031
406,399	-	-	406,399
-	-	-	2,052,941
-	-	-	923,109
406,399	-	-	22,563,115
(2,512,620)	-	-	(1,848,021)
(405,116)	-	-	-
(2,917,736)	-	-	(1,848,021)
(135,354)	3,626,483	-	16,898,825
$ (3,053,090)	$ 3,626,483	$ -	$ 15,050,804

	Lutheran Social Services of South Dakota, Inc.	Lutheran Social Services of South Dakota Foundation, Inc.	Lutheran Housing Corporations	Eliminations	Total
Operating Activities					
Change in net assets	$ 1,069,574	$ (74,665)	$ 39,163	$ -	$ 1,034,072
Adjustments to reconcile change in net assets to net cash from (used for) operating activities					
Depreciation	653,096	-	61,219	-	714,315
In-kind donations of property and equipment	(30,000)	-	-	-	(30,000)
Gain on sale of property and equipment	(25)	-	(29,958)	-	(29,983)
Unrealized gain on interest rate swap agreement	(116,545)	-	-	-	(116,545)
Change in value of split-interest agreements	-	(3,434)	-	-	(3,434)
Investment gain	(11,942)	(348,520)	-	-	(360,462)
Change in discount on promises to give	10,121	-	-	-	10,121
Contributions restricted for capital	(746,372)	-	-	-	(746,372)
Change in assets and liabilities					
Accounts receivable, net	(243,295)	-	6,516	-	(236,779)
Promises to give, net	(10,547)	1,626	-	-	(8,921)
Accrued income receivable	(9,800)	-	-	-	(9,800)
Prepaid expenses and other assets	(168,854)	-	(612)	-	(169,466)
Due to/from related entities	(56,572)	39,262	17,310	-	-
Accounts payable	5,067	-	(20,512)	-	(15,445)
Accrued liabilities	(71,808)	-	(2,231)	-	(74,039)
Net Cash from (used for) Operating Activities	272,098	(385,731)	70,895	-	(42,738)
Investing Activities					
Purchases of long-term investments	(280,647)	(890,711)	-	-	(1,171,358)
Sales and maturities of long-term investments	1,171,726	1,280,740	-	-	2,452,466
Change in restricted assets	198,785	-	62,336	-	261,121
Cash received on notes receivable	38,205	-	-	-	38,205
Cash received on sale of property and equipment	25	-	3,096	-	3,121
Net purchases of property and equipment	(1,222,102)	-	(77,179)	-	(1,299,281)
Net Cash (used for) from Investing Activities	(94,008)	390,029	(11,747)	-	284,274
Financing Activities					
Principal payments on long-term debt	(927,894)	-	(54,979)	-	(982,873)
Net change in line of credit	8,091	-	-	-	8,091
Collections of contributions restricted for capital	517,400	-	-	-	517,400
Payments to beneficiaries of split-interest agreements	-	(2,703)	-	-	(2,703)
Net Cash used for Financing Activities	(402,403)	(2,703)	(54,979)	-	(460,085)
Net Change in Cash and Cash Equivalents	(224,313)	1,595	4,169	-	(218,549)
Beginning Cash and Cash Equivalents	354,879	25	38,270	-	393,174
Ending Cash and Cash Equivalents	$ 130,566	$ 1,620	$ 42,439	$ -	$ 174,625

	Lutheran Social Services of South Dakota, Inc.	Lutheran Social Services of South Dakota Foundation, Inc.	Lutheran Housing Corporations	Eliminations	Total
Operating Activities					
Change in net assets	$ 1,234,861	$ (165,146)	$ (2,917,736)	$ -	$ (1,848,021)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities					
Depreciation	630,992	-	134,454	-	765,446
In-kind donations of property and equipment	(71,756)	-	-	-	(71,756)
Loss on sale of property and equipment	-	-	2,207	-	2,207
Loss on impairment of property and equipment	-	-	2,439,592	-	2,439,592
Unrealized loss on interest rate swap agreement	33,058	-	-	-	33,058
Change in value of split-interest agreements	-	(2,561)	-	-	(2,561)
Investment loss	22,463	169,256	-	-	191,719
Change in discount on promises to give	33,774	-	-	-	33,774
Contributions restricted for capital	(919,729)	-	-	-	(919,729)
Change in assets and liabilities					
Accounts receivable, net	(266,110)	-	3,894	-	(262,216)
Promises to give, net	16,735	(3,426)	-	-	13,309
Accrued income receivable	246,623	-	-	-	246,623
Prepaid expenses and other assets	11,430	-	-	-	11,430
Due to/from related entities	39,404	(39,464)	55,060	(55,000)	-
Accounts payable	(2,682)	-	11	-	(2,671)
Accrued liabilities	144,622	-	(58,891)	55,000	140,731
Deferred revenue	(9,848)	-	-	-	(9,848)
Net Cash from (used for) Operating Activities	1,143,837	(41,341)	(341,409)	-	761,087
Investing Activities					
Purchases of long-term investments	(315,949)	(450,247)	-	-	(766,196)
Sales and maturities of long-term investments	543,492	492,503	-	-	1,035,995
Change in restricted assets	(198,785)	-	(23,244)	-	(222,029)
Cash received on notes receivable	565,612	-	-	(349,544)	216,068
Purchases of property held for future expansion	(73,673)	-	-	-	(73,673)
Cash received on sale of property and equipment	10,140	-	-	-	10,140
Net purchases of property and equipment	(336,326)	-	(27,267)	-	(363,593)
Net Cash from (used for) Investing Activities	194,511	42,256	(50,511)	(349,544)	(163,288)
Financing Activities					
Principal payments on long-term debt	(1,066,157)	-	(356,723)	349,544	(1,073,336)
Net change in line of credit	(636,914)	-	-	-	(636,914)
Collections of contributions restricted for capital	198,785	-	-	-	198,785
Payments to beneficiaries of split-interest agreements	-	(990)	-	-	(990)
Net Cash used for Financing Activities	(1,504,286)	(990)	(356,723)	349,544	(1,512,455)
Net Change in Cash and Cash Equivalents	(165,938)	(75)	(748,643)	-	(914,656)
Beginning Cash and Cash Equivalents	520,817	100	786,913	-	1,307,830
Ending Cash and Cash Equivalents	$ 354,879	$ 25	$ 38,270	$ -	$ 393,174

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
Department of Health and Human Services:				
Direct Programs:				
1810 Refugee and Entrant Assistance-State Administered Programs	93.566		$ 532,182	$ 113,115
1820 Refugee and Entrant Assistance-Wilson/Fish Program	93.583		668,339	-
1920 Refugee and Entrant Assistance-Targeted Assistance Grants	93.584		167,143	-
5553 Basic Center Program	93.623		86,620	-
Refugee and Entrant Assistance Discretionary Grants				
1830 Preventive Health Screening	93.576		75,352	72,877
1980 Targeted Assistance Grant Program	93.576		148,438	-
1750 School Impact Program	93.576		26,466	26,466
Total Refugee and Entrant Assistance Discretionary Grants			250,256	99,343
Passed through South Dakota Department of Health				
5902 Affordable Care Act Personal Responsibility Education Programs	93.092	17SC090388	228,533	-
Passed through South Dakota Department of Social Services		17SC086601		
5900 Chafee Foster Care Independence Program	93.674	18SC086601	315,227	-
Passed through Lutheran Immigration and Refugee Service				
1890 Refugee and Entrant Assistance-Voluntary Agency Programs	93.567	342-17-SD-01	165,787	-
Total Department of Health and Human Services			2,414,087	212,458
Department of State:				
Passed through Lutheran Immigration and Refugee Service		SPRMCO16CA1002		
1800 U.S. Refugee Admissions Program	19.510	SPRMCO17CA1010	864,448	-
Department of Agriculture:				
Passed through South Dakota Division of Elementary and Secondary Education				
School Breakfast Program	10.553	6140100	61,912	-
National School Lunch Program	10.555	6140100	113,202	-
Total Child Nutrition Cluster			175,114	-
Child and Adult Care Food Program	10.558	6140100	25,554	-
Total Department of Agriculture			200,668	-
Department of Homeland Security				
Direct Program:				
1845 Citizenship Education and Training	97.010		136,775	-

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
Department of Justice:				
Direct Program:				
1212 Children of Incarcerated Parents	16.831		$ 125,487	$ -
Passed through South Dakota Department of Corrections		2016DMC01		
3370 Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2017DMC01 2017DMC02	53,853	-
Passed through South Dakota Department of Social Services				
1244 Crime Victim Assistance	16.575	17SC084650	75,159	-
Sexual Assault Services Program	16.017	17SC084560	12,747	-
Total Department of Justice			267,246	-
Department of Education:				
Passed through South Dakota Department of Education				
0046 Twenty-First Century Community Learning Centers	84.287	S287C160042	149,751	-
Passed through South Dakota Department of Labor				
1850 Adult Education - ABE-GED	84.002	17-AB-005	142,490	-
Total Department of Education			292,241	-
Department of the Treasury				
Passed through South Dakota Housing Association				
6614 National Foreclosure Mitigation Counseling	21.000	PL114-113X1350	38,532	-
Department of Housing and Urban Development:				
Direct Program:				
Mortgage Restructuring Note	14.175		78,690	-
Passed through Rapid City Community Development				
5555 Community Development Block Grants	14.253	10/13/2016	7,538	-
Passed through South Dakota Housing Association				
6620 Housing Counseling Assistance Program	14.169	80726 - SF	61,155	-
Section 8 Housing Assistance Payment Program	14.195	SD99M000064-16Z SD99M000066-16Z	29,359	-
Total Department of Housing and Urban Development			176,742	-
Grand Total All Funds			$ 4,390,739	$ 212,458

Note 1 - Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards includes the federal grant activity of Lutheran Social Services of South Dakota, Inc. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Lutheran Social Services of South Dakota, Inc. received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization's summary of significant accounting policies is presented in Note 1 in the Organization's basic consolidated financial statements.

Lutheran Social Services of South Dakota, Inc. has not elected to use the 10% de minimis cost rate.

Note 3 - Child Nutrition Cluster

Federal reimbursements for the Child Nutrition Cluster are not based upon specific expenditures. Therefore, the amounts reported in the consolidated schedule of expenditures of federal awards represent cash received rather than federal expenditures.

Note 4 - Crime Victim Assistance and Sexual Assault Services Program

Federal reimbursements for the Crime Victim Assistance Program, CFDA #16.575, and the Sexual Assault Services Program, CFDA #16.017, are not based upon specific expenditures. Therefore, the amounts reported in the consolidated schedule of expenditures of federal awards represent cash received rather than federal expenditures.

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Board of Directors and Audit Committee
Lutheran Social Services of South Dakota, Inc.
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Lutheran Social Services of South Dakota, Inc., which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered Lutheran Social Services of South Dakota, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Services of South Dakota, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lutheran Social Services of South Dakota, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2017-A to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2017-B to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Lutheran Social Services of South Dakota, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lutheran Social Services of South Dakota, Inc.'s Responses to Findings
Lutheran Social Services of South Dakota, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lutheran Social Services of South Dakota, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sioux Falls, South Dakota
November 6, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance

To The Board of Directors and Audit Committee
Lutheran Social Services of South Dakota, Inc.
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program
We have audited Lutheran Social Services of South Dakota, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lutheran Social Services of South Dakota, Inc.'s major federal programs for the year ended June 30, 2017. Lutheran Social Services of South Dakota, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Lutheran Social Services of South Dakota, Inc.'s consolidated financial statements include the operations of Lutheran Housing Corporation/Northport and Lutheran Housing Corporation/Prairie Lakes, which are nonprofit South Dakota corporations under common control (collectively Housing Corporations). The Housing Corporations received $3,531,483 in federal awards which are not included in the consolidated schedule of expenditures of federal awards during the year ended June 30, 2017. Our audit, described below, did not include the operations of these Housing Corporations because they engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of Lutheran Social Services of South Dakota, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government *Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lutheran Social Services of South Dakota, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lutheran Social Services of South Dakota, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lutheran Social Services of South Dakota, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Lutheran Social Services of South Dakota, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lutheran Social Services of South Dakota, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lutheran Social Services of South Dakota, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2017-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2017-001, 2017-002, and 2017-004 to be significant deficiencies.

Lutheran Social Services of South Dakota, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lutheran Social Services of South Dakota, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Sioux Falls, South Dakota
November 6, 2017

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
U.S. Refugee Admissions Program	19.510
Refugee and Entrant Assistance-Wilson/Fish Program	93.583
Chafee Foster Care Independence Program	93.674

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2017-A **Preparation of Financial Statements and Restatement Material Weakness**

Criteria: Proper controls over financial reporting include an adequate system for recording and processing entries material to the consolidated financial statements, as well as the ability to prepare consolidated financial statements and accompanying notes to the consolidated financial statements that are materially correct.

Condition: As auditors, we provided assistance compiling certain audit adjustments and proposed a material audit adjustment. As a result of audit procedures certain other audit adjustments, as well as management proposed adjustments, were identified that may not have been identified as a result of the Organization's existing internal controls. In addition, management detected an error in the beneficial interest in charitable trusts held by others. The 2016 consolidated financial statements were restated to correct the prior year's error.

Cause: The Organization had limited staff during the year due to turnover. The Organization had previously recorded certain beneficial interests in charitable trusts held by others, however it was subsequently determined the trusts' beneficiary designations were revocable by the donor, and therefore should not be recorded.

Effect: Inadequate controls over financial reporting of the Organization could result in the likelihood that the Organization would not be able to draft the consolidated financial statements and accompanying notes to the consolidated financial statements that are correct without the assistance of the auditors. An entry to record a prior period adjustment was posted to remove beneficial interest in charitable trust assets held by others for approximately $246,000.

Recommendation: We recommend management review the process for posting year-end closing journal entries to ensure proper financial statement presentation.

Views of Responsible Officials: Management is in agreement.

Finding 2017-B **Segregation of Duties**
Significant Deficiency

Criteria: In order to achieve a high level of internal control, the functions of executing transactions, recording transactions, and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Condition: The Organization did not have an internal control system to allow for proper segregation of duties across all areas of the accounting function.

Cause: There has been turnover and leaves of absence in the accounts receivable and finance department that have not allowed for proper segregation of duties.

Effect: Inadequate segregation of duties could adversely affect he Organization's ability to detect and correct misstatements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize that the Organization's turnover in office staff did not allow optimal internal control, it is important that the Organization is aware of this condition. Under this condition, the most effective control is management and the board's oversight and knowledge of matters relating to the operations of the Organization.

Views of Responsible Officials: Management is in agreement.

Section III – Federal Award Findings and Questioned Costs

Finding 2017-001

Administration For Children and Families
CFDA 93.583, 90RW0049, 9/30/2015 – 9/29/2016 and 9/30/2016 – 9/29/2017
Refugee and Entrant Assistance_Wilson/Fish Program

Passed Through South Dakota Department of Social Services
CFDA 93.674, 17SC086601, 6/1/2016 – 5/31/2017
CFDA 93.674, 18SC086601, 6/1/2017 – 5/31/2018
Chaffee Foster Care Independence Program

Passed Through Lutheran Immigration and Refugee Service
CFDA 19.510, SPRMCO16CA1002, 10/1/2015 – 9/30/2016
CFDA 19.510, SPRMCO17CA1010, 10/1/2016 – 9/30/2017
U.S. Refugee Admissions Program

Allowable Costs and Allowable Activities
Significant Deficiency in Internal Control over Compliance

Criteria: The Organization is required to have procedures in place to assure that federal awards are expended only for allowable costs in accordance with Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

***Condition**:* In our sample of expenditures selected for testing, we noted the following items:

a) Amounts distributed to federal programs for occupancy, supplies and communications had proper support for the amounts charged to expense, however the distribution had no formal approval (CFDA 93.583, 93.674 and 19.510)
b) In one instance the federal time tracker was not approved by the employee's supervisor (CFDA 93.583)
c) Indirect costs were charged to the grant based upon one-twelfth of the budgeted indirect costs amount rather than as a percentage of the actual monthly direct costs for each of the twelve months of the year (CFDA 93.674)
d) A portion of direct costs were not included in the base for calculation of the monthly indirect cost in three instances (CFDA 19.510)

***Cause**:* Lack of compliance with designed internal controls over disbursements allows for payment of expenditures that were not properly approved or at the correct amount.

***Effect**:* Without adequate support, demonstrating that the costs comply with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: Questioned costs were $56 for CFDA 93.583. Questioned costs were $713 for CFDA 93.674.There were no questioned costs for CFDA 19.510 as the amounts were underallocated.

Context: A nonstatistical sample of 19 payroll disbursements were tested on CFDA 93.583, which accounted for $5,126 out of $668,339 of federal program expenditures. A nonstatistical sample of 7 indirect allocations were tested on CFDA 93.674 which accounted for $19,926 out of $315,227 of federal program expenditures. A nonstatistical sample of 3 indirect allocations were tested on CFDA 19.510 which accounted for $6,830 out of $864,448 of federal program expenditures.

Repeat Finding from Prior Years: Yes, prior year finding 2016-001.

Recommendation: We recommend that adequate documentation be retained to support the approval of amounts charged to the grant. In addition, we suggest reviewing procedures surrounding the indirect cost to ensure that the proper base is being used to calculate costs.

View of Responsible Officials: Management is in agreement.

Finding 2017-002 **Administration For Children and Families**
CFDA 93.583, 90RW0049, 9/30/2015 – 9/29/2016 and 9/30/2016 – 9/29/2017
Refugee and Entrant Assistance_Wilson/Fish Program

Eligibility and Case Management
Significant Deficiency in Internal Control over Compliance

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: We noted one file in which one month's determination form was not properly approved. In addition, in three instances (two separate case files), documentation that the cash transaction was clearly acknowledged as received by the program participant was not included.

Cause: Lack of conformity with designed controls.

Effect: Inadequate documentation of controls over this area of compliance could result in a reasonable possibility that the Organization would provide services to ineligible participants.

Questioned Costs**:** Questioned costs were $1,075 for the three cash transactions for which the acknowledgement was not documented in the case file.

Context: A nonstatistical sample of 36 participant case files out of 180 participant case files were selected for testing.

Repeat Finding from Prior Years: Yes, prior year finding 2016-002.

Recommendation: We recommend that procedures and program requirements regarding participant eligibility and monthly redetermination be reviewed with applicable program employees to ensure that they are aware of grant requirements.

Views of Responsible Officials: Management is in agreement.

Finding 2017-003 **Passed Through South Dakota Department of Social Services**
CFDA 93.674, 17SC086601, 6/1/2016 – 5/31/2017
CFDA 93.674, 18SC086601, 6/1/2017 – 5/31/2018
Chaffee Foster Care Independence Program

Matching, Level of Effort and Earmarking
Material Weakness in Internal Control over Compliance

***Criteria**:* 2 CFR 200.306 establishes that matching funds be verifiable from the non-Federal entity's records and are allowable under Subpart E – Cost Principles. Further Subpart E, 2 CFR 200.403(g) establishes that costs must be adequately documented.

Condition: We noted the following items that did not meet the above criteria:

a) Seven instances in which proper supporting documentation was not retained to support the in-kind donation
b) Four instances in which an employee performed as a speaker at events and the amount was charged as in-kind match
c) Two instances in which the in-kind donation was not reviewed and approved.

Cause: Lack of compliance with designed internal controls over in-kind donations and matching amounts.

Effect: Inadequate documentation of controls over this area of compliance could result in a reasonable possibility that the Organization would take credit for match amounts that were not actually received or at the incorrect value.

***Questioned Costs*:** Questioned costs were $3,410 for the program.

***Context**:* A nonstatistical sample of 31 in-kind donations out of a total of 153 in-kind donations were selected for testing.

Repeat Finding from Prior Years: No

***Recommendation**:* We recommend that procedures and program requirements regarding the receipt and documentation of in-kind donations be reviewed to ensure that they are properly designed and adequate documentation is retained to ensure compliance with grant requirements.

Views of Responsible Officials: Management is in agreement.

Finding 2017-004 **Passed Through Lutheran Immigration and Refugee Service**
CFDA 19.510, SPRMCO16CA1002, 10/1/2015 – 9/30/2016
U.S. Refugee Admissions Program

Cash Management and Reporting
Significant Deficiency in Internal Control over Compliance

Criteria: 2 CFR 200.328(a) establishes that the Organization is responsible for oversight of the operations of the federal award supported activities. The Organization must monitor its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved. In the LIRS contract, Payment Provisions section 5 outlines that LIRS will reimburse operating expenses of each affiliate at $900 per arrival.

***Condition**:* The year-to-date operating costs charged to the grant at October 31, 2016, for the 9/30/2015 – 9/30/2016 grant period, exceeded the $900 per arrival.

***Cause**:* The Huron site location was closed during the year and there were no additional arrivals directly into that area. There were 100 arrivals budgeted and actual arrivals was 48. As a result, operating costs per arrival were higher than were originally budgeted.

***Effect**:* Inadequate documentation of controls over this area of compliance could result in a reasonable possibility that the Organization would not detect errors in the normal course of performing duties and correct them in a timely manner.

Questioned Costs: None reported as the Agency did not reimburse the Organization for the amounts in excess of $900 per arrival.

***Context**:* The year-to-date operating costs were reviewed for four months in the organization’s fiscal year.

Repeat Finding from Prior Years: No

***Recommendation**:* We recommend the procedures related to monitoring the cash management be reviewed with applicable program employees to ensure the program is properly monitored and in compliance with program requirements.

Views of Responsible Officials: Management is in agreement.

Strengthening Individuals,
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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2017

Prepared by Management of

Lutheran Social Services of South Dakota

705 East 41st Street, Suite 200, Sioux Falls, SD 57105-6048 | Phone: 605-444-7500 | 800-568-2401 | Fax: 605-444-7540

Financial Statement Findings

Finding 2016-A

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: Eide Bailly, LLP provided assistance in compiling certain audit adjustments relating to nonroutine transactions occurring in the housing corporations. As a result of audit procedures, certain other audit adjustments were identified, and management proposed adjustments that may not have been identified as a result of the Lutheran Social Services' (LSS) existing internal controls, and therefore could have resulted in misstatements of the consolidated financial statements.

Status: Ongoing. Procedures have been changed to review any unusual or nonroutine transactions that occurred during the year, to ensure appropriate adjustments were made prior to the auditors review. LSS plan's to have Eide Bailly, LLP prepare the current year financial statements, due to time and cost constraints.

Finding 2016-B

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: LSS was not reconciling contributions per the donor system to the amounts recorded per the general ledger. In addition, LSS was not reconciling various accounts receivable accounts on the general ledger to the detailed subsidiary ledgers.

Status: Procedures have been updated to reconcile the subsidiary ledgers for both contributions and accounts receivable. Due to turnover in the accounting department, those procedures are still in the process of being fully implemented.

Single Audit Findings

Finding 2016-001

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: There were two instances found in which mileage was improperly allocated with no proper supporting documentation retained, one instance in which there was no proper approval over the disbursement, and one instance in which an employee's salary was improperly allocated to the program.

Status: Ongoing. Appropriate documentation is now being retained for all transactions, and staff have been trained again on appropriate approvals of grant expenditures, and also on timecard approval, to ensure only allowable costs are being allocated to grants. Staff training will be ongoing.

Finding 2016-002

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: One file did not include proper approval of the monthly determination form.

Status: Ongoing. Program requirements and internal procedures were reviewed with all program employees, and will continue to be reviewed with employees and new employees.

Finding 2016-003

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: The number of participants served per the final progress report, did not agree to the supporting documentation.

Status: Retention of program report supporting documentation was reviewed, and appropriate documentation is now retained.

Findings – Financial Statement

Finding 2017-A Preparation of Financial Statements and Restatement

Finding Summary: Eide Bailly provided assistance compiling certain audit adjustments. Other adjustments were proposed by LSS after being identified by the auditors, and may not have been identified as a result of LSS procedures. This could have resulted in misstatements of the consolidated financial statements. In addition, an error in recording the beneficial interest in charitable trusts help by others was detected, which resulted in a prior year restatement.

Responsible Individuals: Nathan Beyer & Dawn Jongeling

Corrective Action Plan: Management will review the year-end journal entry process to eliminate the need for similar audit entries in future periods. LSS will also no longer record the charitable trust interest on the financial statements, until such time as the beneficial interest becomes irrevocable.

Anticipated Completion Date: November 15, 2017

Finding 2017-B Segregation of Duties

Finding Summary: Turnover and leaves of absence in accounting have not allowed for sufficient segregation of duties with regard to executing and recording transactions, and maintaining accountability for assets.

Responsible Individuals: Nathan Beyer & Dawn Jongeling

Corrective Action Plan: Management will review transactions and approvals that could be subject to problems caused by not having secondary review, and will add approvals where possible. In some instances it might be necessary to involve staff outside of the accounting department, where appropriate.

Anticipated Completion Date: December 1, 2017

Findings – Federal Awards

Finding 2017-001 Allowable Costs and Allowable Activities

Administration For Children and Families
CFDA 93.583
Refugee and Entrant Assistance_Wilson/Fish Program

Passed Through South Dakota Department of Social Services
CFDA 93.674
Chafee Foster Care Independence Program

Passed Through Lutheran Immigration and Refugee Service
CFDA 19.510
U.S. Refugee Admissions Program

Finding Summary:

a. Occupancy allocations did not have a formal approval
b. One federal time tracker did not have the signature of the supervisor

c. Indirect costs were charged to a grant based upon one-twelfth of the budgeted indirect costs, rather than as a percentage of the actual monthly direct costs
d. A portion of direct costs were not included in the base for calculation of the monthly indirect cost in three instances

Responsible Individuals: Nathan Beyer & Dawn Jongeling

Corrective Action Plan:
a. All occupancy allocations will have a secondary approval of a person knowledgeable of the allocations
b. Staff will be reminded of the requirement to have a full signature on all federal time trackers, and any missing signatures will be sent back immediately for those signatures
c. The grantor had requested that LSS charge the indirect costs in this manner, in the future LSS will insist upon charging indirect costs as a percentage of the direct amount on a monthly basis for all contracts containing federal dollars
d. LSS staff will review which costs are allowable as a part of the direct base, and make adjustments as necessary

Anticipated Completion Date: November 15, 2017

Finding 2017-002 Eligibility and Case Management

Administration For Children and Families
CFDA 93.583
Refugee and Entrant Assistance_Wilson/Fish Program

Finding Summary: One file did not have the determination form properly approved. There were also three instances in which documentation was not included in the file indicating receipt by the program participant.

Responsible Individuals: Tim Jurgens

Corrective Action Plan: LSS will work with program employees to make sure they understand the importance of all documentation in the case files to comply with program requirements and internal procedures.

Anticipated Completion Date: November 15, 2017

Finding 2017-003 Matching, Level of Effort and Earmarking

Passed Through South Dakota Department of Social Services
CFDA 93.674
Chafee Foster Care Independence Program

Finding Summary: Appropriate documentation to support amounts used as match were not readily available or appropriate approval was not apparent. Four items were also incorrectly used as match.

Responsible Individuals: Nathan Beyer & Roslyn Stevenson

Corrective Action Plan: LSS will modify internal procedures to have program staff retain appropriate documentation for match items, that adequately details match items, amounts, and approvals. Staff will also be trained on what items are appropriate to use as match.

Anticipated Completion Date: November 15, 2017

Finding 2017-004 Cash Management and Reporting

Passed Through Lutheran Immigration and Refugee Service
CFDA 19.510
U.S. Refugee Admissions Program

Finding Summary: The October bill submitted for the grant exceeded the allowable reimbursement for operating expenses. The overcharge was not paid by the grantor, and was not identified by LSS for three months.

Responsible Individuals: Nathan Beyer & Dawn Jongeling

Corrective Action Plan: LSS misunderstood a provision in the agreement with the funder as to how they would pay LSS. Staff will be retrained as to the new understanding of the procedures, and amounts received will be reconciled more timely to address any discrepancies.

Anticipated Completion Date: November 15, 2017