

To the Council of  
Northern Texas - Northern Louisiana Synod of the Evangelical Lutheran Church in America

We have audited the financial statements of Northern Texas - Northern Louisiana Synod of the Evangelical Lutheran Church in America (Organization) as of and for the years ended January 31, 2024 and 2023, and have issued our report thereon dated April 16, 2025. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 7, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

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

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

### **Planned Scope and Timing of the Audit**

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

### **Compliance with All Ethics Requirements Regarding Independence**

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

## **Significant Risks Identified**

We have identified the following significant risks:

**Management Override of Controls:** Within every organization there is an ever-present risk that management override of controls could occur, and accordingly, under current auditing standards, auditors should assess the risk that management override of controls has occurred. During our audit, we considered management override of controls to be both a significant risk and a fraud risk. In response to this assessment, we developed auditing procedures based upon our understanding of the Organization and its control environment.

**Improper Revenue Recognition:** Material misstatements due to fraudulent financial reporting can result from an overstatement of revenues (for example, through premature revenue recognition or recording fictitious revenues) or an understatement of revenues (for example, through improperly deferring revenues to a later period). Therefore, under current auditing standards, auditors should ordinarily presume that there is a risk of material misstatement due to fraud relating to revenue recognition. During our audit, we considered improper revenue recognition to be both a significant risk and a fraud risk. In response to this assessment, we developed auditing procedures based upon our understanding of the Organization and its environment, as well as considerations specific to the Organization, such as the revenue streams and reporting cycle.

**Journal Entries:** Material misstatement due to fraudulent financial reporting can result from improperly recorded journal entries (for example, entries posted near year end to overstate revenue or understate expenditures or posted to unusual or seldom used accounts). Therefore, under current auditing standards, auditors should design procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments. During our audit, we considered the risk of improperly recorded journal entries to be a fraud risk. In response to this assessment, we obtained an understanding of the financial reporting processes and controls at the Organization and developed our auditing procedures based on this understanding including testing journal entries and making inquiries of management.

## **Qualitative Aspects of the Organization's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair market value of the donated nonfinancial assets received during the year ended January 31, 2023. The mineral rights value was based on the royalties received over the course of twelve months and an expected production of between four and six years and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Organization's financial statements relate to the related party transactions and contingent liability in Note 8 to the financial statements. The disclosures are clear, consistent and neutral.

### **Significant Difficulties Encountered during the Audit**

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

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: recording designated and restricted revenues and expenses to the appropriate revenue and expense accounts, removing internal budget-only expenditures against the appropriate net asset account, recording interest earned on certificate of deposit, adjust beginning net assets, adjust the investments to fair market value and to properly record assembly registration fees in accordance with modified cash basis of account..

## **Disagreements with Management**

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

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated April 16, 2025.

## **Management's Consultations with Other Accountants**

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

## **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the Organization, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

This report is intended solely for the information and use of the council and management of Northern Texas - Northern Louisiana Synod of the Evangelical Lutheran Church in America and is not intended to be and should not be used by anyone other than these specified parties.

*SST Accountants & Consultants*

SST Accountants & Consultants PLLC

April 16, 2025