

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
(A Nonprofit Organization)**

**INDEPENDENT AUDITORS' REPORTS,  
CONSOLIDATED FINANCIAL STATEMENTS, AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2019**

**Lutheran Social Services of Northeast Florida, Inc. and Affiliate**  
**September 30, 2019**  
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Adam M. Robinson, CPA  
Managing Partner

Joseph Hartman, CPA (1886-1957)  
Frank Benjamin, CPA (1918-2006)  
Fred N. Gartside, CPA (1930-2018)  
William T. Tinsley, III, CPA (1943-2017)  
Steven F. Sipkovsky, CPA (Retired)

Gordon P. Blitch, CPA (1906-1998)  
Bennie M. Hoffenberg, CPA (1924-2019)  
James G. Culpepper, CPA (1928-2002)  
James R. Karpowicz, CPA (Retired)  
John G. Jeakle, CPA (Retired)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lutheran Social Services of Northeast Florida, Inc. and Affiliate  
Jacksonville, Florida

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Social Services of Northeast Florida, Inc. (a nonprofit organization) and its affiliate, LSS Property Management, Inc. (collectively, the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statement of activities, functional expenses, and cash flows for the year 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 of 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 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.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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*, is presented for purposes of additional analysis and is 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 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 on Summarized Comparative Information*

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2020, on our consideration of the Organization'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 solely 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 effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

*Hartman, Blich & Gartside*

Hartman, Blich & Gartside, CPA's, LLC  
Jacksonville, Florida  
January 20, 2020

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,178,990	\$ 414,823
Cash - restricted	1,168,492	1,170,089
Accounts receivable	430,107	267,663
Inventory	4,999	2,002
Prepaid expenses	26,693	26,059
Total current assets	2,809,281	1,880,636
Fixed assets:		
Land and land improvements	203,301	282,706
Buildings and improvements	2,456,346	3,353,935
Equipment	31,708	243,371
Vehicles	66,755	100,662
Computer equipment and software	202,443	250,936
Less accumulated depreciation	(1,709,886)	(2,752,624)
Total fixed assets	1,250,667	1,478,986
Other assets:		
Beneficial interest in assets held by others	138,668	171,094
Held-to-maturity securities	300,000	0
Total other assets	438,668	171,094
 Total assets	 \$ 4,498,616	 \$ 3,530,716
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 87,904	\$ 33,891
Accrued liabilities	160,775	144,450
Line of credit	60,000	0
Deferred revenue	244,747	137,708
Refundable advances	121,921	37,990
Deposits held for others	1,168,492	1,170,089
Capital lease obligation - current portion	7,985	8,708
Note payable - current portion	38,006	38,006
Total current liabilities	1,889,830	1,570,842
Long term liabilities:		
Capital lease obligation - less current portion	0	7,982
Note payable - less current portion	526,796	567,645
Total long term liabilities	526,796	575,627
 Total liabilities	 2,416,626	 2,146,469
Net assets:		
Unrestricted	2,081,990	1,384,247
Temporarily restricted	0	0
Total net assets	2,081,990	1,384,247
 Total liabilities and net assets	 \$ 4,498,616	 \$ 3,530,716

The accompanying notes are an integral part of this statement.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>2019</b>			<b>2018</b>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Support:				
Contributions	\$ 364,702	\$ 0	\$ 364,702	\$ 345,352
In-kind contributions	1,024,801	0	1,024,801	1,067,422
United Way	75,289	0	75,289	101,360
Special events	8,155	0	8,155	10,183
Total support	<u>1,472,947</u>	<u>0</u>	<u>1,472,947</u>	<u>1,524,318</u>
Revenue:				
Federal grants	2,869,566	0	2,869,566	2,622,370
Program fees	280,723	0	280,723	334,366
Change in value of beneficial interests in net assets held by others	2,009	0	2,009	2,927
Total revenue	<u>3,152,298</u>	<u>0</u>	<u>3,152,298</u>	<u>2,959,663</u>
Net assets released from restrictions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue and support	<u>4,625,245</u>	<u>0</u>	<u>4,625,245</u>	<u>4,483,981</u>
<b>EXPENSES</b>				
Program services	3,882,360	0	3,882,360	3,758,027
Support services:				
Administrative support	601,307	0	601,307	541,871
Resource development	208,590	0	208,590	201,390
LSS Property Management, Inc.	315,749	0	315,749	339,312
Total supporting services	<u>1,125,646</u>	<u>0</u>	<u>1,125,646</u>	<u>1,082,573</u>
Total expenses	<u>5,008,006</u>	<u>0</u>	<u>5,008,006</u>	<u>4,840,600</u>
Change in net assets from operating activities	<u>( 382,761)</u>	<u>0</u>	<u>( 382,761)</u>	<u>( 356,619)</u>
<b>NONOPERATING ACTIVITIES:</b>				
Rental income	85,421	0	85,421	49,066
Miscellaneous income	47,530	0	47,530	10,121
Gain on sale of fixed assets	947,757	0	947,757	43,203
Interest income and dividends	( 205)	0	( 205)	9,405
Change in net assets from nonoperating activities	<u>1,080,503</u>	<u>0</u>	<u>1,080,503</u>	<u>111,795</u>
CHANGE IN NET ASSETS	697,742	0	697,742	( 244,824)
NET ASSETS, BEGINNING OF YEAR	<u>1,384,248</u>	<u>0</u>	<u>1,384,248</u>	<u>1,629,072</u>
NET ASSETS, END OF YEAR	<u>\$ 2,081,990</u>	<u>\$ 0</u>	<u>\$ 2,081,990</u>	<u>\$ 1,384,248</u>

The accompanying notes are an integral part of this statement.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Services							Supporting Services				Consolidated Total
	Nourishment Network	AIDS Care and Education	Refugee Services	LISC Services	Mental Health Services	Money Minders	Total Program Services	Administrative Support	Resource Development	LSS Property Management, Inc.	Total Supporting Services	
Expenses:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	81,500	665,530	464,980	92,658	0	110,312	1,414,980	365,769	109,392	0	475,161	1,890,141
Direct client assistance	52,100	447,967	270,084	133	0	203	770,487	66	0	0	66	770,553
Value of goods sold/shared	904,326	0	0	0	0	0	904,326	0	0	0	0	904,326
Other personnel costs	27,850	178,354	118,692	29,951	0	40,290	395,137	74,106	31,916	0	106,022	501,159
Other expenses	0	5,000	6,427	178	0	16,129	27,734	5,978	2,757	90,000	98,735	126,469
Occupancy costs	11,322	22,789	21,258	13,478	0	5,566	74,413	17,529	3,436	93,408	114,373	188,786
Professional services	2,018	8,975	119,590	1,263	0	1,930	133,776	45,206	20,102	3,000	68,308	202,084
Insurance	6,782	11,247	10,864	1,771	0	2,775	33,439	9,984	1,181	19,484	30,649	64,088
Office expense	7,704	4,832	5,497	3,720	0	8,861	30,614	15,873	20,362	97	36,332	66,946
Equipment costs	2,315	6,562	9,518	7,298	0	4,612	30,305	12,710	1,710	0	14,420	44,725
Staff travel	655	14,618	8,264	4,942	0	69	28,548	7,135	8,397	0	15,532	44,080
Vehicle and transport costs	18,811	193	2,799	5	0	0	21,808	1,288	26	0	1,314	23,122
Promotion	1,240	2,578	100	0	0	0	3,918	0	9,311	0	9,311	13,229
Interest expense	0	0	0	0	0	0	0	28,310	0	0	28,310	28,310
Total expenses before depreciation	1,116,623	1,368,645	1,038,073	155,397	0	190,747	3,869,485	583,954	208,590	205,989	998,533	4,868,018
Depreciation	9,910	410	1,313	1,242	0	0	12,875	17,353	0	109,760	127,113	139,988
<b>Total expenses</b>	<b>\$ 1,126,533</b>	<b>\$ 1,369,055</b>	<b>\$ 1,039,386</b>	<b>\$ 156,639</b>	<b>\$ 0</b>	<b>\$ 190,747</b>	<b>\$ 3,882,360</b>	<b>\$ 601,307</b>	<b>\$ 208,590</b>	<b>\$ 315,749</b>	<b>\$ 1,125,646</b>	<b>\$ 5,008,006</b>

The accompanying notes are an integral part of this statement.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Services						Supporting Services				Total Consolidated Total	
	Nourishment Network	AIDS Care and Education	Refugee Services	LISC Services	Mental Health Services	Money Minders	Total Program Services	Administrative Support	Resource Development	LSS Property Management, Inc.		Total Supporting Services
Expenses:												
Salaries	\$ 53,539	\$ 521,901	\$ 717,878	\$ 50,401	\$ 1,771	\$ 127,073	\$ 1,472,563	\$ 309,094	\$ 104,199	\$ 0	\$ 413,293	\$ 1,885,856
Direct client assistance	0	430,370	210,156	4	0	342	640,872	8	0	0	8	640,880
Value of goods sold/shared	985,493	0	0	0	0	0	985,493	0	0	0	0	985,493
Other personnel costs	33,793	125,535	135,520	14,610	503	31,302	341,263	85,239	31,606	0	116,845	458,108
Other expenses	55	5,000	33,947	0	0	9,571	48,573	6,641	1,116	120,000	127,757	176,330
Occupancy costs	9,142	20,721	29,074	1,052	0	10,044	70,033	20,311	4,326	72,039	96,676	166,709
Professional services	3,044	20,642	15,892	0	0	3,227	42,805	29,567	34,759	2,000	66,326	109,131
Insurance	6,494	7,169	15,441	0	0	1,526	30,630	10,705	424	25,671	36,800	67,430
Office expense	1,650	3,729	8,884	30	0	9,418	23,711	22,392	12,631	250	35,273	58,984
Equipment costs	52	6,426	11,205	52	0	6,820	24,555	12,423	1,577	0	14,000	38,555
Staff travel	382	12,867	12,986	3,647	127	709	30,718	5,791	2,234	0	8,025	38,743
Vehicle and transport costs	12,471	180	9,854	0	0	0	22,505	1,203	0	0	1,203	23,708
Promotion	0	12,626	968	0	0	0	13,594	0	8,518	0	8,518	22,112
Interest expense	0	0	0	0	0	0	0	24,101	0	0	24,101	24,101
Total expenses before depreciation	1,106,115	1,167,166	1,201,805	69,796	2,401	200,032	3,747,315	527,475	201,390	219,960	948,825	4,696,140
Depreciation	4,933	243	2,677	0	0	2,859	10,712	14,396	0	119,352	133,748	144,460
<b>Total expenses</b>	<b>\$ 1,111,048</b>	<b>\$ 1,167,409</b>	<b>\$ 1,204,482</b>	<b>\$ 69,796</b>	<b>\$ 2,401</b>	<b>\$ 202,891</b>	<b>\$ 3,758,027</b>	<b>\$ 541,871</b>	<b>\$ 201,390</b>	<b>\$ 339,312</b>	<b>\$ 1,082,573</b>	<b>\$ 4,840,600</b>

The accompanying notes are an integral part of this statement.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 697,742	\$ ( 244,825)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	139,988	144,460
Gain on disposition of asset	( 947,757)	( 43,203)
Unrealized gain on investments	( 2,009)	( 2,927)
Changes in operating assets and liabilities:		
Decrease (increase) in restricted cash	1,597	517,527
Decrease (increase) in accounts receivable	( 162,444)	107,156
Decrease (increase) in inventory	( 2,997)	1,998
Decrease (increase) in prepaid expenses	( 634)	13,414
Increase (decrease) in accounts payable	54,013	( 41,858)
Increase (decrease) in accrued liabilities	16,325	( 87,684)
Increase (decrease) in deferred revenue	107,039	37,708
Increase (decrease) in refundable advances	83,931	( 25,769)
Increase (decrease) in deposits held for others	( 1,597)	( 517,527)
Net used by operating activities	( 16,803)	( 141,530)
<b>Cash flows from investing activities:</b>		
Fixed asset purchases	( 27,761)	( 44,899)
Purchase of held-to-maturity investment	( 300,000)	0
Proceeds from sale of equipment	1,063,850	48,620
Proceeds from beneficial interest in assets held by others	34,435	85,097
Net cash provided by investing activities	770,524	88,818
<b>Cash flows from financing activities:</b>		
Principal payments of note payable	( 40,849)	( 42,797)
Principal payments of capital lease obligation	( 8,705)	( 8,708)
Draws taken on line of credit	60,000	60,000
Payments on line of credit	0	( 60,000)
Net cash provided (used) by financing activities	10,446	( 51,505)
Net increase (decrease) in cash	764,167	( 104,217)
<b>Cash at beginning of year</b>	414,823	519,040
<b>Cash at end of year</b>	\$ 1,178,990	\$ 414,823
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 28,310	\$ 24,101

The accompanying notes are an integral part of this statement.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

1. Nature of Operations

Lutheran Social Services of Northeast Florida, Inc. (LSS) was formed in 1979 by Lutheran congregations located in northeast Florida as a 501(c)(3) not-for-profit social ministry organization. The agency is led by a board of directors consisting of a maximum of 21 members, 51% of whom must be Lutheran, according to bylaws, and 49% of whom are local business leaders.

In 1998, LSS formed an affiliate, LSS Property Management, Inc. (LPM) to own property used in LSS operations. LPM is a 501(c)(2) not-for-profit entity organized on a nonstock basis and LSS is its sole member. LPM's board of directors is made up of select members of the LSS board of directors.

LSS currently provides the following services:

- *Nourishment Network Food Program:* A hunger relief program that provides food and nutritional services to low income individuals living in the Jacksonville area. This program addresses hunger through providing direct food assistance to at risk populations such as seniors, pregnant mothers, low-income children and any Duval county resident in need of food. Nutritional services are provided directly related to decreasing infant mortality rates.
- *AIDS Care and Education (ACE) Program:* Provides HIV/AIDS coordination of care through direct linkage, service and support to those living with HIV and AIDS in a five-county area. The ACE Program is one of the only initiatives in northeast Florida that provides comprehensive wrap around services to individuals living with HIV.
- *Money Minders Program:* Acts as representative payee and manages the finances of about 1,000 people in a five-county area who are eligible to receive Social Security or pension benefits but have been determined to be incapable of sound financial decision-making. These are people who suffer from mental illness and /or chronic substance abuse or who are too young or too old to make sound spending decisions that will ensure that their basic living needs are met.
- *Refugee Services Program:* Resettles refugees sent to LSS from the U.S. State Department, because their lives were at risk in their homelands due to religious or political persecution, by finding them places to live, helping them adapt to their new culture, enrolling their children in school and helping them train for and find jobs.
- *Targeted Mental Health:* Provides case management services to adults who are diagnosed with severe mental illness and/or emotional disturbance. Case managers assist clients in attaining self-sufficiency in living, learning, work and social environments while ensuring access to medical, social and other services. The program is open to adults over the age of 18, diagnosed with a mental illness living in Jacksonville.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of Lutheran Social Services of Northeast Florida, Inc. and LSS Property Management, Inc., (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation. The revenues are recognized when they become measurable and available and expenses are generally recognized when the related liability is incurred.

Dependency on Government Support

The Organization receives a substantial amount of support from federal government agencies. A reduction in the level of future support from the federal government agencies could have a substantial effect on the Organization's programs and activities.

At September 30, 2019, the Organization had accounts receivable from three government agencies that accounted for 78%, 8%, and 2% of total accounts receivable. At September 30, 2018, the Organization had accounts receivable from three government agencies that accounted for 75%, 5%, and 4% of total accounts receivable.

Basis of Presentation

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended September 30, 2018, from which the summarized information was derived.

In accordance with generally accepted accounting principles, the Organization adopted the Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profits. The ASU amends the old reporting model for nonprofit organizations and enhances their required disclosures. The major changes included: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate report, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity of available resources, (f) presenting investments net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

The Organization places its cash and cash equivalents with FDIC insured financial institutions. At times, such account balances may be in excess of the FDIC insurance limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Net Assets

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

*Net Assets without Donor Restrictions* – Net assets representing resources generated from operations that are not subject to donor-imposed stipulations or whose donor-imposed stipulations have been met by the actions of the Organization and/or the passage of time.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization or donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. As of September 30, 2019, and 2018, the Organization does not have any assets that are permanently restricted.

Cash and Cash Equivalents

The Organization considers all highly liquid investment with maturities of three months or less when purchased to be cash equivalents.

Held-to-Maturity Securities

Certificates of deposit held for investment are included in “held-to-maturity securities”. Certificates of deposit with original maturities less than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as other assets.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Organization determines the allowance on its accounts receivable based on historical experience and a review of specific accounts. The Organization charges off delinquent accounts when it exhausts its normal collection procedures and it is probable that collection is unlikely. The Organization does not charge interest on delinquent accounts. Management determined all accounts were collectible and an allowance for doubtful accounts at September 30, 2019 and 2018 was not needed.

Inventory

The Organization's inventory consists of minimal amounts of donated and purchased food items. Purchased food inventory is stated at the lower of cost or market using the first-in, first-out inventory method. Donated products received by the Organization are recorded at estimated fair value.

Land, Buildings and Equipment

Land, buildings and equipment with values greater than \$500, and a useful life longer than one year are recorded at cost. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

Land, buildings and equipment acquired by the Organization are considered to be owned by the Organization. However, the State of Florida funding sources may maintain equitable interest in the property purchased with grant monies, as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds that have an estimated useful life of at least two years.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Asset lives for financial statement reporting of depreciation are:

Land improvements	10 years
Buildings and improvements	5 – 30 years
Equipment	5 – 15 years
Vehicles	3 – 10 years
Computer equipment and software	3 – 7 years

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Organization reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist during the years ended September 30, 2019 or 2018.

Contributions and Donor-Imposed Restrictions

Contributions of cash or other assets are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Contributions

In-kind contributions consist of donated food for the Nourishment Network Food Program and in-kind rent and are reflected in the accompanying consolidated financial statements at their estimated fair value at date of receipt.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. No amounts have been reflected in the consolidated financial statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills. When professional services requiring specific expertise are provided, in-kind values are recorded as contributions.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

2. Summary of Significant Accounting Policies (continued)

Government Contracts

Revenues from federal, state and local government contracts are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Organization will be required to reimburse any overpayments.

Program Fees

Revenue from program fees are recognized as the services are provided.

Income Taxes

LSS is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. LPM is a title-holding corporation exempt from federal income tax under section 501(c)(2) of the Internal Revenue Code.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Organization has analyzed the tax positions taken and has concluded that as of September 30, 2019 and 2018, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the consolidated financial statements.

Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at September 30, 2019, the Organization is no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for year before 2016. The Organization has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

2. Summary of Significant Accounting Policies (continued)

**Accounting Pronouncements Issued But Not Yet Adopted**

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgement and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption for annual periods beginning after December 15, 2016. The Organization is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

3. Restricted Cash and Deposits Held for Others

The Organization acts as a representative payee through its Money Minders Program for certain individuals receiving Social Security checks or other pension benefits that are required to be kept in a separate bank account which is restricted as to use. The Organization pays the living expenses for these individuals from this account. The restricted cash held is recorded as deposits held for others on the accompanying consolidated statements of financial position. Since the Organization is acting as an agent, it does not recognize the receipts and disbursements as revenues and expenses related to the Money Minders Program.

The following schedule shows the activity for the Money Minders Program for the year ended September 30, 2019 and 2018, which is recorded as restricted cash and deposits held for others on the accompanying consolidated statements of financial position:

September 30, 2017	\$	1,687,616
Receipts		5,129,994
Disbursements		<u>(5,647,521)</u>
September 30, 2018		1,170,089
Receipts		4,785,047
Disbursements		<u>(4,786,644)</u>
September 30, 2019	\$	1,168,492

4. Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2:* Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

4. Fair Value of Financial Instruments (continued)

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair value of the note payable and the capital lease obligation are estimated based on current rates that would be available for debt of similar terms which is not significantly different from its statement value.

The Organization's Level 2 financial assets include beneficial interests in net assets held by Foundations (see Note 5) which are held in pooled investment accounts and are valued based on information provided by the Foundations, which is primarily derived from or corroborated by observable market data as it relates to the Foundation's underlying investments.

The Organization did not have any Level 1 or Level 3 financial instruments at September 30, 2019 and 2018.

5. Beneficial Interest in Assets Held by Others

The Organization has established endowments at certain Foundations and named itself as the beneficiary. Under the terms of the endowment agreements, the Community Foundation for Northeast Florida does have variance power over the funds and the ELCA Endowment Fund does not have variance power over the funds. Investment income (losses), net of distributions and fees, are recorded as change in value of beneficial interests in assets held for others on the accompanying consolidated statements of activities.

The following tables set forth the Organization's beneficial interests in net assets held by others:

September 30, 2019	Level 2
The Community Foundation for Northeast Florida	\$ 75,904
ELCA Endowment Fund	62,764
	\$ 138,668
September 30, 2018	Level 2
The Community Foundation for Northeast Florida	\$ 109,989
ELCA Endowment Fund	61,105
	\$ 171,094

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

6. Investments in Debt and Equity Securities

The following is a summary of maturities of held-to-maturity securities as of September 30, 2019:

Amounts maturing in:	
One year or less	\$ 0
Greater than one year	300,000
	<u>\$ 300,000</u>

7. Note Payable and Line of Credit

One January 15, 2015, the Organization borrowed \$800,000 from a third party. On August 30, 2016, the Organization modified this note to extend the maturity date from 2024 to 2029 and reduce the monthly payment amount. The note accrues interest at a rate of 3.75% per annum for the first three years. After the initial three years, the rate will be adjusted by the lender every three years thereafter until the maturity date. The note requires monthly payments of both principal and interest in the amount of \$5,561. The note is collateralized by a first priority mortgage and security agreement on the Organization's property located at 4615 Philips Highway, Jacksonville, Florida, and an assignment of rents on the real estate.

Future maturities of the note payable as of September 30, 2019 are as follows:

<u>Year ending September 30,</u>	
2020	\$ 47,502
2021	49,314
2022	51,196
2023	52,759
2024	54,675
Thereafter	<u>309,356</u>
Total note payable	\$ 564,802

In March 2017, the Organization obtained a line of credit with a financial institution in the amount of \$100,000. This line of credit is secured by the business assets of the Organization. Interest is computed on outstanding balances using the institution's prime commercial rate plus 1.74% (6.99% as of September 30, 2019). The outstanding balance on the line of credit as of September 30, 2019 was \$60,000.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

8. Qualified Retirement Plan

The Organization maintains a qualified defined contribution pension plan, which covers all full-time employees. The Organization is obligated to a 100% match on qualified participants' contributions, up to 3% of the qualified participants' annual compensation. Retirement expense, included in other personnel costs on the consolidated statements of functional expense, for the years ended September 30, 2019 and 2018, amounted to \$33,497 and \$39,534, respectively.

9. Contingencies

Litigation

In the ordinary course of business, the Organization is involved in various legal proceeding. Based upon the Organization's evaluation of the information presently available, management believes that the ultimate resolution of any such proceedings will not have a material adverse effect on the Organization's financial position, liquidity or results of operations.

10. Leases

Capital Leases

Future minimum lease payments under a capital lease for office equipment through maturity are as follows:

Year ending September 30,	
<u>2020</u>	\$ 7,985

Following is a summary of equipment held under a capital lease and included in property and equipment:

<u>September 30, 2019</u>	
Office equipment	\$ 26,124
Less: accumulated amortization	18,139
<u>Property and equipment, net</u>	<u>\$ 7,985</u>

Operating Leases

The Organization has various operating leases for office equipment. The lease expense related to these agreements was \$11,054 and \$22,230 for the years ended September 30, 2019 and 2018, respectively. Future minimum lease payments under cancelable operating leases with initial or remaining terms of more than one year are \$8,897 for fiscal year 2020.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

11. Local Grant Program

The Organization did not receive a grant from the City of Jacksonville for the year ended September 30, 2019.

12. Subsequent Event

The Organization has evaluated subsequent events and transactions occurring subsequent to September 30, 2019 as of January 20, 2020, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after January 20, 2020 have not been evaluated by management. No material events have occurred since January 20, 2020 that require recognition or disclosure in the consolidated financial statements.

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Managing Partner

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Lutheran Social Services of Northeast Florida, Inc. and Affiliate  
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Lutheran Social Services of Northeast Florida, Inc. and Affiliate (the "Organization"), a nonprofit organization, which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*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 financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 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*.

## **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 result 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 *Governmental Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*Hartman, Blich & Gartside*

Hartman, Blich & Gartside, CPA's, LLC  
Jacksonville, Florida  
January 20, 2020

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Total Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed through the City of Jacksonville, Florida				
HIV Emergency Relief Project Grants	93.914	9646-26	\$ 0	\$ 540,785
HIV Emergency Relief Project Grants	93.914	9646-28	0	589,316
Subtotal CFDA #93.914			<u>0</u>	<u>1,130,101</u>
Passed through Florida Department of Children and Families				
Refugee and Entrant Assistance - Career Ladderings and Employment	93.584 93.576 93.566	LK-173	0	247,142
Refugee Youth and Family Services	93.566	LK-195	0	75,393
Integration Services	93.566	DK-001	0	399,797
U.S. Refugee Admissions Program	93.567	1802MDRVMG	0	44,449
Subtotal CFDA #93.566, 93.576, 93.584			<u>0</u>	<u>766,781</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>0</u></b>	<b><u>1,896,882</u></b>
<b><u>U.S. Department of State</u></b>				
Passed through Lutheran Immigration and Refugee Services				
U.S. Refugee Admissions Program	19.510	SPRMCO19CA0003	0	340,701
<b>Total U.S. Department of State</b>			<b><u>0</u></b>	<b><u>340,701</u></b>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed through the City of Jacksonville, Florida				
Housing Opportunities for Persons with AIDS	14.241	FLH15F001 9646-27	0	427,321
<b><u>U.S. Department of Homeland Security</u></b>				
Emergency Food and Shelter Program	97.024	160800-007	0	20,930
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 0</u></b>	<b><u>\$ 2,685,834</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lutheran Social Services of Northeast Florida, Inc. and Affiliate (the "Organization") under programs of the federal government for the year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

Lutheran Social Services of Northeast Florida, Inc. did not provide awards to subrecipients.

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Lutheran Social Services of Northeast Florida, Inc. and Affiliate  
Jacksonville, Florida

### **Report on Compliance for Each Major Federal Program**

We have audited Lutheran Social Services of Northeast Florida, Inc. and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization'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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit including examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

### **Reporting on Internal Control Over Compliance**

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 Organization's internal control over compliance.

*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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Hartman, Blich & Gartside*

Hartman, Blich & Gartside, CPA's, LLC  
Jacksonville, Florida  
January 20, 2020

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Part I – Summary of Auditors’ Results**

1. The independent auditors’ report on the consolidated financial statements was unmodified.
2. The audit disclosed no control deficiencies in internal control over financial reporting.
3. No instances of noncompliance considered material to the consolidated financial statements were disclosed by the audit.
4. The audit disclosed no control deficiencies in internal control over compliance with requirements applicable to the major federal award program.
5. The report on compliance with requirements applicable to the major federal program expressed an unmodified opinion.
6. The audit disclosed no findings required to be reported for the major federal program.
7. The program tested as major is as follows:

<u>Federal Program</u>	<u>CFDA #</u>
Refugee and Youth Assistance	93.584, 93.576, 93.566 & 93.567
Refugee Admissions Program	19.510

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Organization was determined to be a low-risk auditee.

**Part II – Financial Statement Findings**

NONE

**Part III – Federal Award Findings and Questioned Costs**

NONE.

**LUTHERAN SOCIAL SERVICES OF NORTHEAST FLORIDA, INC. AND AFFILIATE.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

There were no findings relative to federal awards included in the Schedule of Findings.