



Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information
Years Ended June 30, 2018 and 2017

Lutheran Services Florida, Inc. and Subsidiaries

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Lutheran Services Florida, Inc. and Subsidiaries

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Independent Auditor's Report

Board of Directors
Lutheran Services Florida, Inc. and Subsidiaries
Tampa, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Services Florida, Inc. and its subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 Organization'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 Organization'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 June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the State of Florida Auditor General*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance 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 accompanying schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018 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, and 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.

BDO USA, LLP

BDO USA, LLP
Certified Public Accountants
December 18, 2018

Consolidated Financial Statements

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statements of Financial Position

<i>June 30,</i>	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,972,161	\$ 4,722,858
Accounts receivable:		
Managing entity contract	16,957,185	8,064,016
Other grants and funding sources	8,227,406	8,710,845
Program fees and other, net of allowance for doubtful accounts of \$154,098 and \$60,004	465,217	470,371
Current portion of gifted facilities (Note 6)	1,316,590	1,709,866
Prepaid expenses	765,553	658,357
Total current assets	30,704,112	24,336,313
Investments (Note 3)	893,038	838,012
Assets limited as to use (Note 3)	300,317	248,112
Beneficial interest in assets held by others (Notes 3 and 5)	841,143	816,850
Gifted facilities, less current portion (Note 6)	400,119	1,690,704
Property and equipment, net (Note 4)	6,682,051	7,706,683
Other assets	152,660	149,580
Total Assets	\$ 39,973,440	\$ 35,786,254

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statements of Financial Position

<i>June 30,</i>	2018	2017
Liabilities and Net Assets		
Current liabilities:		
Line of credit (Note 7)	\$ 3,365,861	\$ 2,878,254
Accounts payable:		
Managing entity contract	10,206,691	3,945,632
Trade	5,748,733	7,330,637
Accrued salaries and payroll related expenses	4,596,815	4,814,739
Other accrued expenses	2,322,333	2,343,645
Deferred revenue	4,519,887	2,831,515
Current portion of capital lease obligations (Note 8)	342,831	321,035
Total current liabilities	31,103,151	24,465,457
Capital lease obligations, less current portion (Note 8)	2,226,295	2,569,126
Total liabilities	33,329,446	27,034,583
Commitments and contingencies (Notes 8, 11 and 12)		
Net assets:		
Unrestricted (Notes 9 and 10)	1,682,361	1,741,023
Temporarily restricted (Note 9)	4,185,663	6,234,678
Permanently restricted (Notes 9 and 10)	775,970	775,970
Total net assets	6,643,994	8,751,671
Total Liabilities and Net Assets	\$ 39,973,440	\$ 35,786,254

See accompanying notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statements of Activities

Year Ended June 30,	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support, and gains (losses):								
Government grants	\$214,914,067	\$ —	\$ —	\$214,914,067	\$ 209,049,459	\$ —	\$ —	\$ 209,049,459
In-kind contributions (Note 13)	4,150,463	—	—	4,150,463	3,414,410	—	—	3,414,410
Contributions	905,097	224,512	—	1,129,609	674,768	781,350	—	1,456,118
Program service fees	1,270,053	—	—	1,270,053	1,442,780	—	—	1,442,780
Charter school revenue	—	—	—	—	1,268,648	—	—	1,268,648
Other income, net	300,896	—	—	300,896	361,679	—	—	361,679
Investment income (Note 3)	98,385	—	—	98,385	176,222	—	—	176,222
Change in value of beneficial interest in assets held by others	24,293	—	—	24,293	(530)	—	—	(530)
Net assets released from restrictions (Note 9)	2,273,527	(2,273,527)	—	—	2,328,125	(2,328,125)	—	—
Total revenue, support and gains (losses)	223,936,781	(2,049,015)	—	221,887,766	218,715,561	(1,546,775)	—	217,168,786
Operating expenses:								
Program services	212,192,956	—	—	212,192,956	207,875,333	—	—	207,875,333
Supporting services	11,476,547	—	—	11,476,547	11,020,745	—	—	11,020,745
Total operating expenses	223,669,503	—	—	223,669,503	218,896,078	—	—	218,896,078
Change in net assets before discontinued operations	267,278	(2,049,015)	—	(1,781,737)	(180,517)	(1,546,775)	—	(1,727,292)
Net loss from discontinued operations (Note 2)	(325,940)	—	—	(325,940)	(1,559,220)	—	—	(1,559,220)
Change in net assets	(58,662)	(2,049,015)	—	(2,107,677)	(1,739,737)	(1,546,775)	—	(3,286,512)
Transfers of net assets	—	—	—	—	4,349	46,378	(50,727)	—
Net assets at beginning of year	1,741,023	6,234,678	775,970	8,751,671	3,476,411	7,735,075	826,697	12,038,183
Net assets at end of year	\$ 1,682,361	\$ 4,185,663	\$ 775,970	\$ 6,643,994	\$ 1,741,023	\$ 6,234,678	\$ 775,970	\$ 8,751,671

See accompanying notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018	Program Services						Supporting Services				Total Expenses	
	Children's Services	Youth and Family Services	Charter Schools	Resettlement Services	Adult Services	Substance Abuse and Mental Health Services	Total Program Services	General & Administrative	Managing Entity Administration	Advancement	Total Supporting Services	2018
Salaries	\$ 24,042,915	\$ 11,115,949	\$ —	\$ 5,128,845	\$ 945,622	\$ —	\$ 41,233,331	\$ 3,970,611	\$ 2,523,209	\$ 17,206	\$ 6,511,026	\$ 47,744,357
Payroll taxes and employee benefits	6,334,799	2,556,155	—	1,273,534	283,855	—	10,448,343	1,140,342	495,486	2,475	1,638,303	12,086,646
Total salaries and related expenses	30,377,714	13,672,104	—	6,402,379	1,229,477	—	51,681,674	5,110,953	3,018,695	19,681	8,149,329	59,831,003
Professional fees and contract services	1,307,762	215,789	—	69,074	265,567	—	1,858,192	528,414	497,387	55,506	1,081,307	2,939,499
Subcontractor expenses	20,341,805	8,831	—	—	741,140	110,842,827	131,934,603	—	59,559	—	59,559	131,994,162
Office expense and program supplies	1,449,638	231,977	—	149,119	15,589	—	1,846,323	101,580	43,006	3,787	148,373	1,994,696
Food	2,310,527	116,096	—	275	—	—	2,426,898	7	—	—	7	2,426,905
Assistance to individuals	3,997,167	117,284	—	1,088,671	246,807	—	5,449,929	63,180	—	—	63,180	5,513,109
Occupancy	4,192,912	622,209	—	1,023,977	142,623	—	5,981,721	338,100	150,373	3,253	491,726	6,473,447
Repairs and maintenance	1,788,036	162,176	—	69,570	11,143	—	2,030,925	22,537	7,049	321	29,907	2,060,832
Equipment costs	284,505	92,414	—	43,336	13,854	—	434,109	51,707	12,479	28,879	93,065	527,174
Insurance and taxes	464,823	147,130	—	72,102	17,093	—	701,148	75,265	13,081	196	88,542	789,690
Transportation and travel	1,194,312	746,085	—	177,496	41,981	—	2,159,874	141,803	162,760	6,043	310,606	2,470,480
Postage, printing and publication	69,286	44,085	—	48,305	23,824	—	185,500	48,457	11,827	22,870	83,154	268,654
Interest	150,757	160	—	—	—	—	150,917	187,023	—	—	187,023	337,940
In-kind expenses (Note 13)	3,492,726	10,176	—	646,411	150	—	4,149,463	1,000	—	—	1,000	4,150,463
Other operating expenses	184,189	114,818	—	4,976	72,335	—	376,318	324,075	69,684	5,619	399,378	775,696
Total expenses before depreciation and amortization	71,606,159	16,301,334	—	9,795,691	2,821,583	110,842,827	211,367,594	6,994,101	4,045,900	146,155	11,186,156	222,553,750
Depreciation and amortization	768,970	50,230	—	—	6,162	—	825,362	290,292	—	99	290,391	1,115,753
Total operating expenses	\$ 72,375,129	\$ 16,351,564	\$ —	\$ 9,795,691	\$ 2,827,745	\$ 110,842,827	\$ 212,192,956	\$ 7,284,393	\$ 4,045,900	\$ 146,254	\$ 11,476,547	\$ 223,669,503

See accompanying notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017	Program Services						Supporting Services				Total Expenses	
	Children's Services	Youth and Family Services	Charter Schools	Resettlement Services	Adult Services	Substance Abuse and Mental Health Services	Total Program Services	General & Administrative	Managing Entity Administration	Advancement	Total Supporting Services	2017
Salaries	\$ 23,244,449	\$ 12,115,924	\$ 864,676	\$ 6,132,645	\$ 1,137,246	\$ —	\$ 43,494,940	\$ 3,753,154	\$ 2,442,028	\$ 113,218	\$ 6,308,400	\$ 49,803,340
Payroll taxes and employee benefits	4,882,081	2,340,672	121,417	1,214,103	246,844	—	8,805,117	1,004,260	400,539	12,835	1,417,634	10,222,751
Total salaries and related expenses	28,126,530	14,456,596	986,093	7,346,748	1,384,090	—	52,300,057	4,757,414	2,842,567	126,053	7,726,034	60,026,091
Professional fees and contract services	1,401,321	255,528	281,279	65,442	312,683	—	2,316,253	608,557	516,155	96,036	1,220,748	3,537,001
Subcontractor expenses	20,538,811	401,229	58,190	—	787,564	104,776,328	126,562,122	—	—	—	—	126,562,122
Office expense and program supplies	989,140	207,720	86,014	260,276	29,405	—	1,572,555	138,370	37,972	34,056	210,398	1,782,953
Food	2,345,331	115,921	19,593	238	23	—	2,481,106	—	—	—	—	2,481,106
Assistance to individuals	3,946,970	186,054	—	2,191,179	221,257	—	6,545,460	—	—	—	—	6,545,460
Occupancy	4,010,338	660,496	350,782	1,152,999	132,077	—	6,306,692	278,112	149,162	15,047	442,321	6,749,013
Repairs and maintenance	1,059,292	212,621	17,362	65,032	10,355	—	1,364,662	21,877	12,705	599	35,181	1,399,843
Equipment costs	136,826	80,611	8,736	40,383	13,307	—	279,863	94,867	14,130	5,984	114,981	394,844
Insurance and taxes	463,113	156,072	20,160	83,093	19,121	—	741,559	39,095	34,412	956	74,463	816,022
Transportation and travel	1,032,587	780,335	23,822	273,996	47,436	—	2,158,176	152,818	183,941	24,652	361,411	2,519,587
Postage, printing and publication	61,914	73,698	14,815	46,487	20,187	—	217,101	59,273	22,477	131,625	213,375	430,476
Interest	172,484	722	20,056	—	—	—	193,262	155,784	—	—	155,784	349,046
In-kind expenses (Note 13)	2,126,607	39,162	—	1,241,413	—	—	3,407,182	7,228	—	—	7,228	3,414,410
Other operating expenses	220,147	112,852	(169,919)	5,012	45,779	—	213,871	190,416	61,676	11,689	263,781	477,652
Total expenses before depreciation and amortization	66,631,411	17,739,617	1,716,983	12,772,298	3,023,284	104,776,328	206,659,921	6,503,811	3,875,197	446,697	10,825,705	217,485,626
Depreciation and amortization	847,543	50,382	311,323	—	6,164	—	1,215,412	183,124	11,784	132	195,040	1,410,452
Total operating expenses	\$ 67,478,954	\$ 17,789,999	\$ 2,028,306	\$ 12,772,298	\$ 3,029,448	\$ 104,776,328	\$ 207,875,333	\$ 6,686,935	\$ 3,886,981	\$ 446,829	\$ 11,020,745	\$ 218,896,078

See accompanying notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (2,107,677)	\$ (3,286,512)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,135,630	1,964,580
Loss on disposal of equipment	144,940	119,977
Net realized and unrealized gain on investments and assets limited as to use	(59,413)	(94,346)
Change in value of beneficial interest in assets held by others	(24,293)	530
Other assets and liabilities:		
Accounts receivable	(8,404,576)	2,503,766
Prepaid expenses	(107,196)	56,383
Gifted facilities	1,683,861	1,035,610
Other assets	(3,080)	49,401
Accounts payable	4,679,155	(3,207,177)
Accrued salaries and payroll related expenses	(217,924)	(114,078)
Other accrued expenses	(21,312)	357,159
Deferred revenue	1,688,372	2,080,969
Net cash provided by (used in) operating activities	(1,613,513)	1,466,262
Cash flows from investing activities:		
Purchase of investments and assets whose use is limited	(1,497,356)	(521,397)
Proceeds from the sale of investments	1,449,538	731,353
Purchases of property and equipment	(287,923)	(436,899)
Proceeds from the sale of equipment	31,985	—
Net cash used in investing activities	(303,756)	(226,943)
Cash flows from financing activities:		
Borrowings under line of credit	4,500,000	—
Repayment of line of credit	(4,012,393)	(500,248)
Principal payments on capital leases	(321,035)	(300,640)
Net cash (used in) provided by financing activities	166,572	(800,888)
Net increase (decrease) in cash and cash equivalents	(1,750,697)	438,431
Cash and cash equivalents at beginning of year	4,722,858	4,284,427
Cash and cash equivalents at end of year	\$ 2,972,161	\$ 4,722,858
Supplemental cash flow information:		
Cash paid for interest	\$ 337,940	\$ 349,046
Contribution of gifted facilities	122,316	761,086

See accompanying notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Lutheran Services Florida, Inc. ("LSF" or the "Organization") was organized on July 1, 1982 as a nonprofit organization to provide various social ministries throughout the State of Florida. LSF's programs are funded by federal, state and local governmental grants and contracts, various program service fees, contributions, church grants, and other sources.

LSF is the sole member of Lutheran Nonprofit Management Solutions, LLC d/b/a LSF Health Systems (LSF Health), which was organized on August 13, 2010 as a nonprofit organization to govern and advise LSF's managing entity contract over substance abuse and mental health services provided in the Northeast region of Florida effective July 1, 2012.

LSF was the sole member of LSF Charter Schools, LLC d/b/a Belle Glade Excel Charter School (LSF Charter School) which was formed in 2012 to operate a charter school in Belle Glade, Florida for children in grades K-3 starting in the fall of 2014. In 2015, LSF became the sole member of Pivot Education, Inc., a Florida corporation operating three charter schools in Broward, Hillsborough, and Lee counties. In October 2016, LSF made the decision to exit the operations of all of the charter schools. As a result, the charter school in Belle Glade, Florida was closed in July 2017 and LSF Charter School was dissolved effective January 4, 2018, and LSF was removed as the sole member of Pivot Education, Inc. effective May 18, 2017. The results of operations of LSF Charter School and Pivot Education, Inc. subsequent to October 2016 are presented as discontinued operations in the accompanying consolidated statements of activities. See Note 2 for further discussion on the discontinued operations of the charter schools.

The principal social services provided by Lutheran Services Florida, Inc. and Subsidiaries include services to children, troubled youth and their families, refugees, the unemployed, incapacitated adults, and victims of disasters through the following programs:

Children's Services: provides preschool care for disadvantaged children in licensed facilities and meals to children in licensed day care homes.

Youth and Family Services: provides residential, counseling and case management services to teens and their families.

Resettlement Services: provides job training, counseling, financial assistance and placement to new entrants to the United States.

Adult Services: provides guardianship and care management programs to elderly, mentally incapacitated and disabled persons. Also provides temporary and permanent housing for the homeless and health care treatment to low-income HIV-infected individuals.

Substance Abuse and Mental Health Services: provide substance abuse and mental health services to adults and children in 23 counties in Northeast Florida.

The following Lutheran judicatories are the founding members of the Organization: the Florida-Bahamas Synod of the Evangelical Lutheran Church in America and the Florida-Georgia District of the Lutheran Church-Missouri Synod.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Basis of Accounting and Principles of Consolidation

The consolidated financial statements of the Organization are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The consolidated financial statements include the financial statements of LSF, LSF Health, LSF Charter School, and Pivot Education, Inc. (collectively "the Organization"). The results of operations of Pivot Education, Inc. through May 18, 2017 are included in the consolidated financial statements, which is the date on which LSF was removed as the sole member of Pivot Education, Inc. The results of operations of LSF Charter School through January 4, 2018 are included in the consolidated financial statements, which is the date on which LSF Charter School was dissolved. All significant intercompany balances and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent 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 may differ from such estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid fixed income instruments purchased with original maturities of three months or less.

Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk include cash and cash equivalents and government grants and related receivables. Cash and cash equivalents includes accounts placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts. The Organization's operating support and revenue includes concentrations from 25 federal and state programs comprising 97% of total operating support and revenue for the year ended June 30, 2018, and 25 federal and state programs comprising 96% of total operating support and revenue for the year ended June 30, 2017. These programs have accounts receivable balances comprising 88% and 87% of total accounts receivable at June 30, 2018 and 2017, respectively. Changes in operating support and revenues from federal and state programs could significantly impact the Organization, including a reduction in the program services offered by the Organization; however, management does not anticipate any such changes in the near-term.

Accounts Receivable

Receivables under grants and funding contracts and program service fees are due in less than one year. Management believes receivables under grants and funding contracts are fully collectible and has not provided an allowance for doubtful accounts. Accounts receivable for program service fees are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables based on historical experience and any other circumstances which may affect the ability of payors to meet their obligations. It is the Organization's policy to charge off uncollectible accounts when management determines the receivable will not be collected.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Organization accounts for gifted facilities as temporarily restricted contributions in the period in which the right to use the asset is acquired, at the fair market value of the benefit expected to be received over the expected term of use by the Organization and is released from restriction when used. A receivable is recorded for any future benefit expected to be recognized and is amortized to rent expense as the Organization uses the facilities over the term of the applicable lease.

Investments

Investments are carried at their fair values in the Organization's consolidated statements of financial position. Donated securities are recorded at fair value as of the date received. Unrealized gains and losses are included in investment income (loss) in the accompanying consolidated statements of activities.

Assets Limited as to Use

Assets limited as to use include board-designated assets held by trustees to fund the Supplemental Executive Retirement Plan (SERP) as more fully described in Note 11.

Property and Equipment

Expenditures for property and equipment are stated at cost, if purchased or at estimated market value at the date of receipt if acquired by gift, and those in excess of \$5,000 are capitalized. Depreciation expense related to property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the remaining lease term or the useful life of the asset. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and the related accumulated depreciation account are relieved, and any gain or loss included in operations.

Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets during the years ended June 30, 2018 and 2017.

Net Assets

Unrestricted net assets consists of amounts that are available for use in carrying out the activities of the Organization. Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes. Permanently restricted net assets result from gifts and bequests from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Contributions and Donor-Imposed Restrictions

Unconditional promises to give are recognized as contributions in the period received at their fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions other than cash are recorded at their estimated fair value on the date received.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified into unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restriction. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Donated materials are reflected in the accompanying consolidated financial statements at their estimated fair market value at date of receipt. Donated services are recognized and recorded at fair market value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization records donated goods and services as in-kind support in the accompanying consolidated statements of activities.

Government Grants

A significant portion of the Organization's government grants are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose. Funds received in advance and not yet earned are recorded as deferred revenue.

Program Service Fees

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

Charter School Revenue

Revenue from the charter schools is received primarily from the district school board of the county in which the respective charter school operates, pursuant to the funding provisions included in the school's charter. The amount of funding received is based on the number of full-time equivalent (FTE) students and is recognized in the period in which the applicable services are provided.

Functional Expense Allocations

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs, such as salaries and other expenses which benefit more than one program, are allocated among the programs and supporting services benefitted.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. LSF is the sole member of LSF Health and was the sole member of LSF Charter School and Pivot Education, Inc., which are considered disregarded entities for federal and state income tax purposes. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Organization identifies and evaluates uncertain tax provisions, if any, and recognizes the impact of uncertain tax provisions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. The Organization has not recognized a liability for unrecognized tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Fair Value Measurements

The Organization measures its financial assets and liabilities at fair value 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: Valuation based on unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuation based on observable quoted prices for similar assets and liabilities in active markets.

Level 3: Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based on certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates 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 expenses. The fair value of the Organization's line of credit and capital lease obligations approximate their carrying values based on current rates available to the Organization for debt of similar terms which is not significantly different from its stated value.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The following methods and assumptions were used to estimate the fair value of other financial instruments:

Level 1: The Organization's Level 1 investments include money market funds, fixed income and equity securities, and real asset funds.

Level 2: The Organization's Level 2 investments include the beneficial interest in assets held by others and is valued based on information provided by the Community Foundations (see Note 5) which is primarily derived from or corroborated by observable market data as it relates to the Community Foundations' underlying investments.

Level 3: The Organization's Level 3 investments include the beneficial interest in the Zerbst perpetual trust and is valued based on the value of the underlying investments held in the trust.

Reclassifications

Certain items have been reclassified in the 2017 consolidated financial statements to conform to the 2018 presentation.

Accounting Pronouncements Issued But Not Yet Adopted

Financial Statement Presentation of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, 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 and availability of resources, (f) presenting investment return 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. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The Organization is currently evaluating the impact of this ASU on its consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Contributions Received and Contributions Made

In June 2018 the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

The new standard is effective for fiscal periods beginning after December 15, 2018, using either of the following transition methods: (i) a modified prospective in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date, or (ii) a full retrospective approach reflecting the application of the standard in each prior reporting period in the financial statements. Early adoption is permitted. The Organization is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Revenue

In May 2014, the FASB issued ASU 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 judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

As amended in August 2015 in ASU No. 2015-15, 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 (which includes additional footnote disclosures). The new standard allows for early 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 ASU 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 Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

2. Discontinued Operations

In October 2016, pursuant to a plan approved by the Board of Directors, LSF made the decision to exit its charter school operations provided by LSF Charter School, Inc. in Belle Glade, Florida and Pivot Education, Inc. in Broward, Hillsborough and Lee counties (collectively the "Charter Schools"). The decision to exit the operations of the Charter Schools was based on a comprehensive analysis that took into consideration the benefit provided to the communities served by the Charter Schools, as well as LSF's core mission. As a result, the school in Belle Glade was closed in July 2017 and LSF was removed as the sole member of Pivot Education, Inc. on May 18, 2017. In accordance with ASC 205-20-45, Discontinued Operations, the results of operations subsequent to October 2016 for the Charter Schools are presented as discontinued operations in the accompanying consolidated statements of activities. LSF did not hold any assets or have any liabilities related to the Pivot Charter Schools as of June 30, 2018 and 2017, except for a receivable from Pivot Education, Inc. of \$278,034 and \$232,379, respectively, which is included in accounts receivable: program fees and other in the consolidated statements of financial position.

LSF continues to provide management services to Pivot Education, Inc. for the charter school in Hillsborough County under a services agreement, which was amended on May 18, 2017 and expires on June 30, 2022. The charter schools in Broward and Lee counties were closed in June 2017.

The following table summarizes the results of the discontinued activities related to the Charter Schools during the year ended June 30, 2018, and for the period November 1, 2016 through June 30, 2017:

	Year Ended June 30, 2018	Period from November 1, 2016 through June 30, 2017
Revenue and support:		
Contributions	\$ —	\$ 136,948
Government grants	—	2,905,554
Other income	—	40,167
Release of restrictions	—	29,587
Total revenue and support	—	3,112,256
Program services expenses	153,206	4,307,791
Change in net assets from discontinued operations	(153,206)	(1,195,535)
Loss on disposal of assets from discontinued operations	(172,734)	(363,685)
Net loss from discontinued operations	\$ (325,940)	\$ (1,559,220)

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Net cash used in operating activities attributable to discontinued operations was \$325,940 and \$1,655,138 during the year ended June 30, 2018 and for the period from November 1, 2016 through June 30, 2017, respectively. Net cash used in investing activities attributable to discontinued operations was \$86,670 for the period November 1, 2016 through June 30, 2017. There was no net cash used in investing activities attributable to discontinued operations for the year ended June 30, 2018. The net cash used attributable to discontinued operations is included in the accompanying consolidated statement of cash flows for the year ended June 30, 2018 and 2017.

3. Investments and Assets Limited as to Use

The Organization's investments and assets limited as to use, stated at fair value, consist of the following:

<i>June 30, 2018</i>	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 34,631	\$ —	\$ —	\$ 34,631
Equity securities:				
Emerging markets	47,644	—	—	47,644
Small/mid cap funds	39,226	—	—	39,226
Index funds	17,848	—	—	17,848
Large growth funds	110,510	—	—	110,510
Large cap funds	158,839	—	—	158,839
Internationally developed	111,540	—	—	111,540
Fixed income securities:				
High yield bond funds	15,931	—	—	15,931
Index bonds	72,694	—	—	72,694
Corporate bonds	121,444	—	—	121,444
Government bonds	115,897	—	—	115,897
Real asset funds	46,834	—	—	46,834
Total investments	893,038	—	—	893,038
Assets limited as to use:				
Money market funds	28,265	—	—	28,265
Equity securities:				
Large cap	85,332	—	—	85,332
Emerging markets	68,141	—	—	68,141
Index	18,730	—	—	18,730
Fixed income securities:				
Index bonds	11,789	—	—	11,789
Short duration funds	28,703	—	—	28,703
Global bond funds	31,021	—	—	31,021
Intermediate term bonds	28,336	—	—	28,336
Total assets limited as to use	300,317	—	—	300,317
Beneficial interest in:				
Assets held by others	—	151,597	—	151,597
Perpetual trust	—	—	689,546	689,546
Total beneficial interest in assets held by others	—	151,597	689,546	841,143
	\$ 1,193,355	\$ 151,597	\$ 689,546	\$ 2,034,498

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

<i>June 30, 2017</i>	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 9,371	\$ —	\$ —	\$ 9,371
Equity securities:				
Emerging markets	142,229	—	—	142,229
Value funds	31,204	—	—	31,204
Index funds	184,911	—	—	184,911
Energy	31,783	—	—	31,783
Health	27,338	—	—	27,338
Large cap funds	65,274	—	—	65,274
Allocation funds	120,776	—	—	120,776
Fixed income securities:				
High yield bond funds	32,139	—	—	32,139
Index bonds				
Total return funds	40,478	—	—	40,478
Short duration funds	40,555	—	—	40,555
Global bond funds	24,354	—	—	24,354
Intermediate term bonds	40,694	—	—	40,694
Nontraditional bond funds	40,723	—	—	40,723
Real asset funds	6,183	—	—	6,183
Total investments	838,012	—	—	838,012
Assets limited as to use:				
Money market funds	3,055	—	—	3,055
Equity securities:				
Large cap	23,933	—	—	23,933
Small/mid cap funds	6,973	—	—	6,973
Emerging markets	33,802	—	—	33,802
Growth funds	21,086	—	—	21,086
Index	103,160	—	—	103,160
Fixed income securities:				
Corporate bonds	—	8,382	—	8,382
Index bonds	7,615	—	—	7,615
Short duration funds	15,091	—	—	15,091
Global bond funds	16,322	—	—	16,322
Intermediate term bonds	8,693	—	—	8,693
Total assets limited as to use	239,730	8,382	—	248,112
Beneficial interest in:				
Assets held by others	—	149,202	—	149,202
Perpetual trust	—	—	667,648	667,648
Total beneficial interest in assets held by others	—	149,202	667,648	816,850
	\$ 1,077,742	\$ 157,584	\$ 667,648	\$ 1,902,974

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The following is a reconciliation of the Organization's Level 3 investments:

<i>Year Ended June 30,</i>	2018	2017
Beginning balance	\$ 667,648	\$ 678,171
Interest and dividends	15,680	15,800
Realized and unrealized gains	25,640	21,396
Distributions and fees	(19,422)	(47,719)
Ending balance	\$ 689,546	\$ 667,648

The Organization's investments in equity and fixed income securities are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations.

The following schedule summarizes investment return:

<i>Year Ended June 30,</i>	2018	2017
Dividend and interest income	\$ 56,252	\$ 99,244
Net realized and unrealized gain (losses)	59,413	94,346
Investment management fees	(17,280)	(17,368)
Total investment income	\$ 98,385	\$ 176,222

The Board of Directors designates a portion of the Organization's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The fixed amount determined by the Board of Directors at the beginning of each fiscal year as part of the Organization's budgeting process considers the Organization's long and short-term needs, present and anticipated financial requirements, and expected total return on its investments (see Note 10).

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Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

4. Property and Equipment

Property and equipment consists of the following:

<i>June 30,</i>	Estimated Useful Lives	2018	2017
Land	N/A	\$ 1,735,899	\$ 1,735,899
Buildings and improvements	35 years	3,172,414	3,503,794
Vehicles	3-5 years	1,531,363	1,560,188
Leasehold improvements	5 years	5,396,029	5,415,754
Computer equipment and software	3-5 years	648,862	619,774
Furniture and equipment	2-5 years	1,412,697	1,822,066
		13,897,264	14,657,475
Less accumulated depreciation and amortization		(7,215,213)	(6,950,792)
		\$ 6,682,051	\$ 7,706,683

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$1,135,630 and \$1,964,580, respectively, of which \$554,128 and \$19,877, respectively, is included in the net loss from discontinued operations in the consolidated statements of activities.

5. Beneficial Interest in Assets Held by Others

The Organization has established endowments at Community Foundation of Broward, Inc. and Community Foundation of Tampa Bay, Inc. (the "Community Foundations") and named itself as the beneficiary. Under the terms of the endowment agreements, the Community Foundation of Broward has variance power over the funds and the Community Foundation of Tampa Bay does not have variance power over the funds. During 2016, the Organization was notified of its interest as the sole beneficiary of the Charles A. Zerbst Charitable Trust (Zerbst Trust), a perpetual trust established for LSF's benefit and administrated by an independent trustee. Investment income (losses), net of distributions and fees on beneficial interest in assets held for others are recorded as change in value of beneficial interests in assets held for others on the accompanying consolidated statements of activities.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The market value of the Organization's beneficial interest in assets held by others is as follows:

<i>June 30,</i>	2018	2017
Beneficial interest in assets held by others:		
Community Foundation of Broward, Inc.	\$ 145,074	\$ 142,845
Community Foundation of Tampa Bay, Inc.	6,523	6,357
	151,597	149,202
Beneficial interest in perpetual trust:		
Charles A. Zerbst Trust	689,546	667,648
	\$ 841,143	\$ 816,850

6. Gifted Facilities

Gifted facilities represents the present value of the excess of the aggregate fair rental value of building leases over below market rent payments due under lease agreements executed in connection with the Organization's Head Start programs operated in Pinellas, Duval and Palm Beach counties. Gifted facilities are recorded as temporarily restricted contributions and are released from restriction as rent expense is recorded. Activity of the gifted facilities during fiscal 2018 and 2017 is summarized as follows:

	Pinellas Properties	Duval Properties	Palm Beach Properties	Total
Balance at June 30, 2016	\$ 653,923	\$ 724,938	\$ 3,057,319	\$ 4,436,180
Contributions	558,133	108,964	44,129	711,226
Rent expense	(516,324)	(313,367)	(917,145)	(1,746,836)
Balances at June 30, 2017	695,732	520,535	2,184,303	3,400,570
Contributions	38,790	55,153	28,192	122,135
Rent expense	(550,622)	(338,873)	(916,501)	(1,805,996)
Balances at June 30, 2018	183,900	236,815	1,295,994	1,716,709
Less current portion of gifted facilities	183,900	230,911	901,779	1,316,590
Gifted facilities, less current portion	\$ —	\$ 5,904	\$ 394,215	\$ 400,119

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

7. Line of Credit

The Organization maintains a revolving line of credit with the Lutheran Church Extension Fund-Missouri Synod, an unaffiliated nonprofit organization, with a maximum availability of \$10,000,000. Interest is payable monthly at one-month LIBOR plus 3% (5.09% and 4.06% at June 30, 2018 and 2017, respectively). The line of credit is secured by a majority of the Organization's assets (except for assets acquired with Head Start funds and accounts receivable from Coordinated Childcare Food Program) and requires the Organization to meet certain covenants. At June 30, 2018, the Organization was in compliance with these restrictive covenants. The line of credit matures on March 4, 2019. The outstanding balance on the revolving line of credit at June 30, 2018 and 2017 was \$3,365,861 and \$2,878,254, respectively.

8. Leases

Capital Leases

The Organization is obligated under capital lease agreements for certain facilities which expire at various dates through 2027. Upon expiration of these leases, title to the properties will automatically transfer to LSF. At June 30, 2018, the gross amount of facilities and related accumulated amortization recorded under capital leases was \$4,005,115 and \$1,435,989, respectively. At June 30, 2017, the gross amount of facilities and related accumulated amortization recorded under capital leases was \$4,005,115 and \$1,114,954, respectively. Amortization of assets held under capital leases is included in depreciation and amortization expense. Future minimum payments under capital lease obligations at June 30, 2018 are as follows:

Year Ending June 30,

2019	\$	504,862
2020		504,862
2021		504,862
2022		504,862
2023		441,982
Thereafter		780,300
Total minimum lease payments		3,241,730
Less amount representing interest		(672,604)
Present value of capital lease payments		2,569,126
Less current portion under capital lease obligations		(342,831)
Capital lease obligations, less current portion		\$ 2,226,295

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Operating Leases

The Organization leases the majority of its office space and office equipment under operating lease agreements which expire at various dates through 2027. Security deposits related to such leases are included in other assets. Rental expense on operating leases was approximately \$2,465,000 in fiscal 2018 and \$3,194,000 in fiscal 2017. The majority of the Organization's operating leases include 30 day cancellation provisions in the event the Organization loses its funding.

Future minimum lease payments under non-cancellable operating leases (with initial or remaining terms in excess of one year) as of June 30, 2018 are as follows:

Year Ending June 30,

2019	\$	2,005,985
2020		1,466,648
2021		1,294,470
2022		1,299,424
2023		1,197,723
Thereafter		2,573,796
Total future minimum lease payments		\$ 9,838,046

9. Net Assets

Temporary restrictions on net assets relate to the following:

<i>June 30,</i>	2018	2017
Facilities and equipment subject to time restrictions	\$ 2,328,328	\$ 2,735,849
Gifted facilities	1,716,709	3,400,570
Employee tuition reimbursement	51,557	67,868
Other	89,069	30,391
	\$ 4,185,663	\$ 6,234,678

Net assets released from restrictions consist of the following:

<i>Year Ended June 30,</i>	2018	2017
Facilities and equipment subject to time restrictions	\$ 467,531	\$ 581,289
Rent expense from gifted facilities	1,805,996	1,746,836
	\$ 2,273,527	\$ 2,328,125

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Permanently restricted net assets relate to the following (see Note 10):

<i>June 30,</i>	2018	2017
Broward County program endowment	\$ 138,526	\$ 138,526
Tampa Bay program endowment	10,000	10,000
Zerbst Trust endowment	627,444	627,444
	<hr/>	<hr/>
	\$ 775,970	\$ 775,970

The Board of Directors of LSF established a board designated endowment to be used to support operations which was \$893,038 and \$838,012 as of June 30, 2018 and 2017, respectively (see Note 10), which is included in unrestricted net assets.

10. Endowment Funds

LSF has a board-designated endowment fund included in unrestricted net assets which was established by the Board of Directors for the purpose of supporting the Organization's programs. LSF also has several donor restricted endowment funds which are included in permanently restricted net assets and consist of funds established with the Community Foundation of Broward, Inc. and the Community Foundation of Tampa Bay, Inc, and an interest in the Charles A. Zerbst Charitable Trust, which is a perpetual trust administered by an independent trustee. The earnings on the donor restricted endowment funds are to be used to support program operations and are recorded as unrestricted net assets.

Interpretation of Relevant Law

The Board of Directors has interpreted the wishes of donors and state law 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, the Organization classifies 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 endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the purchasing power of those endowments over the long-term. The policies stipulate that the endowments should be managed as a long-term goal designed to maximize the returns without exposure to undue risk, as defined herein. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, the Organization will pursue a strategy seeking to exceed a benchmark return of a target portfolio consisting of approximately 35% fixed income securities, 55% equity securities, and 10% real assets for the general endowment fund. Earnings only on the endowment funds held the Community Foundations are used to support programs in those counties.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Spending Policy

The Organization has a policy limiting the spending of its endowment funds to realized investment return for the trailing twelve months.

Endowment net asset composition by type of fund are as follows:

<i>June 30, 2018</i>	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Board-designated endowment	\$ 893,038	\$ —	\$ 893,038
Broward County program endowment	—	138,526	138,526
Tampa Bay program endowment	—	10,000	10,000
Zerbst Trust endowment	62,102	627,444	689,546
	\$ 955,140	\$ 775,970	\$ 1,731,110

<i>June 30, 2017</i>	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Board-designated endowment	\$ 838,012	\$ —	\$ 838,012
Broward County program endowment	—	138,526	138,526
Tampa Bay program endowment	—	10,000	10,000
Zerbst Trust endowment	40,204	627,444	667,648
	\$ 878,216	\$ 775,970	\$ 1,654,186

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Balances at June 30, 2016	\$ 755,865	\$ 826,697	\$ 1,582,562
Board designations	7,933	—	7,933
Net investment income	63,691	—	63,691
Transfers of net assets	50,727	(50,727)	—
Balances at June 30, 2017	878,216	775,970	1,654,186
Board designations	10,614	—	10,614
Net investment income	66,310	—	66,310
Balances at June 30, 2018	\$ 955,140	\$ 775,970	\$ 1,731,110

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

11. Retirement Plans

The Organization sponsors a 403(b) multiple employer retirement plan (the "403(b) Plan") administered by One America. Under the 403(b) Plan, employees are eligible to participate once they attain the age of 21, complete one year of service and work a minimum of 1,000 hours during the plan year. The Organization may elect to make matching and non-elective contributions to the 403(b) Plan. Participants' rights to employer contributions vest after three years of service.

The Organization also sponsors a 457(b) multiple employer plan (the "457(b) Plan") administered by One America. Under the 457(b) Plan, eligible employees may participate upon their date of hire. The Organization may elect to contribute matching and non-elective contributions to the 457(b) Plan. Participants rights to employer contributions are immediately 100% vested.

Employer contributions to the 403(b) and 457(b) plans for the years ended June 30, 2018 and 2017 were \$564,385 and \$368,465, respectively.

The Organization also sponsors a 457(f) employee benefit plan or Supplemental Executive Retirement Plan (SERP), which provides key executives (the "Participants") deferred compensation benefits outside of the two plans described above. Benefits under the SERP accumulate from annual contributions and earnings thereon. For the years ended June 30, 2018 and 2017, the Organization incurred expenses under the SERP of approximately \$212,000 and \$198,000, respectively. At June 30, 2018 and 2017, the Organization has \$300,317 and \$248,112, respectively, of assets limited as to use for payment of its obligation under the SERP which is included in accrued salaries and payroll related expenses in the accompanying consolidated statements of financial position.

12. Contingencies

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, cannot be determined at this time and no provision has been made for any such adjustments in the accompanying consolidated financial statements.

The Organization is involved in legal actions arising during the ordinary course of its operations. The potential loss under these claims is not determinable at this time. Management believes any potential loss would be expected to fall within the Organization's insurance policy limits. The only anticipated financial exposure would be payment of the insurance deductible, a nominal amount. In the opinion of management, and no material liability exists with respect to these claims.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Organization sponsors a welfare benefit plan (the Plan) which provides medical and prescription drug benefits to its employees. Under the terms of the Plan, the Organization is responsible and self-insured for the first \$175,000 of individual covered claims and is subject to a maximum annual aggregate stop loss limit which was approximately \$7,100,000 for the year ended June 30, 2018. Health insurance expense is based upon premiums paid to the insurer, estimated total cost of claims to be paid by the Organization that fall within the deductible limits described above, and the administrative costs of the Plan. The Organization outsources administration of claims to a third party administrator (TPA). Under the terms of the TPA agreement, the TPA provides management with an estimate of incurred but unreported claims (IBNR) and the future development of covered claims using an actuarially-determined reserve methodology based on current and historical claims development trends, which are recorded in payroll taxes and employee benefits in the accompanying consolidated statements of functional expenses. As of June 30, 2018 and 2017, accrued estimated health insurance expense under the Plan was approximately \$514,000 and \$763,000, respectively, and is included in other accrued expenses in the consolidated statements of financial position. Estimated health insurance expense was approximately \$6,614,000 and \$4,738,000, respectively, for the years then ended which is included in payroll taxes and employee benefits in both program services and supporting services in the statement of activities. Actual claims expense may differ from these estimates. At June 30, 2018 and 2017, the Organization had \$386,413 and 130,480, respectively, of funds included in assets limited as to use to pay outstanding claims.

13. In-Kind Contributions

In-kind contributions included in the consolidated statements of activities and functional expenses and the corresponding expenses are as follows:

<i>Year Ended June 30,</i>	2018	2017
Professional services	\$ 770,232	\$ 401,869
Food, clothing and household items	3,380,231	3,012,541
	\$ 4,150,463	\$ 3,414,410

Donated services for the years ended June 30, 2018 and 2017, with estimated fair values of approximately \$2,982,000 and \$2,331,000, respectively, were not recognized in the consolidated financial statements because they did not meet the criteria for recognition because they did not require specialized skills and would ordinarily not be purchased if not provided by donation.

14. Matching Requirements

The Organization received a substantial portion of its support from various funding sources which required local matches. These requirements were met through program service fees, local grants, and public donations during the years ended June 30, 2018 and 2017.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

15. Guardianship Program

In connection with the Organization's guardianship program, the Organization holds assets in trust for individuals who have been declared incapacitated. The Organization is a court-appointed legal guardian for these individuals. Assets held in trust by the Organization include real property valued in the table below at their fair value on the date the Organization was appointed guardian. Cash and investments are included in the table below at current fair value. Income earned on assets held in trust is applied to each individual's account balance. Assets held in trust by the Organization are not included in the accompanying consolidated financial statements. The value of assets held in trust are as follows:

<i>June 30,</i>	2018	2017
Cash and cash equivalents	\$ 3,781,802	\$ 3,655,459
Investments in fixed income and equity securities	15,059,629	15,950,451
Real property	4,182,122	3,823,107
Cash surrender value of life insurance and other annuities	4,466,849	2,652,620
Other	202,778	(440,711)
	\$ 27,693,180	\$ 25,640,926

For the years ended June 30, 2018 and 2017, program service fees earned under the guardianship program were approximately \$789,000 and \$885,000, respectively, and are included in program services fees in the consolidated statements of activities.

16. Contract with Duval County Staff

The Organization's Head Start program personnel in Duval County are employed by the Organization under a collective bargaining agreement. The collective bargaining agreement is effective through January 31, 2019.

17. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2018 as of December 18, 2018, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after December 18, 2018 have not been evaluated by management. No material events have occurred since June 30, 2018 that require recognition or disclosure in the consolidated financial statements.

Supplementary Information



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201 South Orange Ave., Suite 800
Orlando, FL 32801

Independent Auditor's Report on Supplementary Information

Board of Directors
Lutheran Services Florida, Inc.
Tampa, Florida

Our audits of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report 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 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.

BDO USA, LLP

BDO USA, LLP
Certified Public Accountants
December 18, 2018

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Governmental Grants and Contracts Year Ended June 30, 2018

Direct federal funding:

U.S. Department of Health and Human Services	\$ 53,102,368
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Pass-through awards of federal and state funding:

State of Florida Department of Children and Families	120,743,885
State of Florida Department of Health	8,775,138
Children's Network of Southwest Florida, LLC	6,086,339
Eckerd Youth and Family Alternatives, Inc.	4,924,521
Florida Network of Youth and Family Services, Inc.	4,352,064
Lutheran Immigration and Refugee Services	1,781,312
Voluntary Pre-Kindergarten	2,602,435
South Florida Workforce Investment Board	2,318,410
Hillsborough County, State of Florida	1,502,350
Miami-Dade County, State of Florida	28,478
State of Florida Department of Elder Affairs	398,219
Lakeview Center, Inc.	171,797
State of Florida Office of Attorney General	199,960
Tapastri, Inc.	203,835
Florida Council for Community Mental Health	49,666
National Children's Alliance	102,610
University of Illinois	139,871
Florida Association of Healthy Start Coalitions, Inc.	252,397
Northeast Florida Health Start Coalition	7,500

154,640,787

Local and other grants and contracts:

Children's Services Council of Palm Beach County	6,189,117
Lee County, State of Florida	274,064
Florida Network of Youth and Family Services, Inc. (DV Respite)	146,637
ChildNet, Inc.	104,152
Broward County Children's Services Administration	74,065
Juvenile Welfare Board of Pinellas County	72,130
Sarasota County, State of Florida	49,118
Santa Rosa County, State of Florida	49,465
Other	212,164

7,170,912

Total governmental grants and contracts

\$ 214,914,067

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenue
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Aftercare/ Follow-Up	Assessment	Case Management	Clay Behavioral - Crisis Prevention	Community Forensic Beds - Adult Services	Crisis Stabilization	Crisis Support/ Emergency	Day Care	Day Treatment
IA. State SAMH funding									
Contract EH003	\$ 144,350	\$ 811,248	\$ 4,169,755	\$ 290,247	\$ 981,009	\$ 16,087,777	\$ 9,756,251	\$ 365,214	\$ 1,227,042
Contract EH003 - carryover	-	-	-	-	-	-	-	-	-
Total state SAMH funding	144,350	811,248	4,169,755	290,247	981,009	16,087,777	9,756,251	365,214	1,227,042
IB. Other government funding									
(1) Other state agency funding	-	-	-	-	-	-	-	-	-
(2) Medicaid	-	-	-	-	-	-	-	-	-
(3) Local government	-	-	-	-	-	-	-	-	-
(4) Federal grants and contracts	-	-	-	-	-	-	-	-	-
(5) In-kind from local government only	-	-	-	-	-	-	-	-	-
Total other government funding	-	-	-	-	-	-	-	-	-
IC. All other revenues									
(1) 1st and 2nd party payments	-	-	-	-	-	-	-	-	-
(2) 3rd party payments (except Medicare)	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-
Total funding	\$ 144,350	\$ 811,248	\$ 4,169,755	\$ 290,247	\$ 981,009	\$ 16,087,777	\$ 9,756,251	\$ 365,214	\$ 1,227,042

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenue
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Drop-In/ Self-Help Centers	FR - CAT Teams	Florida Assertive Community Treatment (FACT) Team	FIT Teams	HIV Services	Incidental Expenses	Indigent Psych Medication Program	Information and Referral	In-Home/ On-Site
IA. State SAMH funding									
Contract EH003	\$ 496,414	\$ 1,750,000	\$ 7,458,007	\$ 2,561,799	\$ 351,096	\$ 1,899,762	\$ 151,326	\$ 1,169,997	\$ 436,772
Contract EH003 - carryover	—	—	—	—	—	—	—	—	—
Total state SAMH funding	496,414	1,750,000	7,458,007	2,561,799	351,096	1,899,762	151,326	1,169,997	436,772
IB. Other government funding									
(1) Other state agency funding	—	—	—	—	—	—	—	—	—
(2) Medicaid	—	—	—	—	—	—	—	—	—
(3) Local government	—	—	—	—	—	—	—	—	—
(4) Federal grants and contracts	—	—	—	—	—	—	—	—	—
(5) In-kind from local government only	—	—	—	—	—	—	—	—	—
Total other government funding	—	—	—	—	—	—	—	—	—
IC. All other revenues									
(1) 1st and 2nd party payments	—	—	—	—	—	—	—	—	—
(2) 3rd party payments (except Medicare)	—	—	—	—	—	—	—	—	—
(3) Medicare	—	—	—	—	—	—	—	—	—
(4) Contributions and donations	—	—	—	—	—	—	—	—	—
(5) Other	—	—	—	—	—	—	—	—	—
(6) Refunds	—	—	—	—	—	—	—	—	—
(7) In-kind	—	—	—	—	—	—	—	—	—
Total all other revenues	—	—	—	—	—	—	—	—	—
Total funding	\$ 496,414	\$ 1,750,000	\$ 7,458,007	\$ 2,561,799	\$ 351,096	\$ 1,899,762	\$ 151,326	\$ 1,169,997	\$ 436,772

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenue
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Inpatient	Intensive Case Management	Medical Services	Mental Health Clubhouse Services	Methadone Treatment	Multi-Disciplinary Forensic Team	Outreach	PATH Community Support Services Federal	Prevention
IA. State SAMH funding									
Contract EH003	\$ 1,533,843	\$ 205,173	\$ 4,672,489	\$ 548,075	\$ 1,693,978	\$ 652,000	\$ 2,246,142	\$ 917,389	\$ 5,495,331
Contract EH003 - carryover	—	—	—	—	—	—	—	—	—
Total state SAMH funding	1,533,843	205,173	4,672,489	548,075	1,693,978	652,000	2,246,142	917,389	5,495,331
IB. Other government funding									
(1) Other state agency funding	—	—	—	—	—	—	—	—	—
(2) Medicaid	—	—	—	—	—	—	—	—	—
(3) Local government	—	—	—	—	—	—	—	—	—
(4) Federal grants and contracts	—	—	—	—	—	—	—	—	—
(5) In-kind from local government only	—	—	—	—	—	—	—	—	—
Total other government funding	—	—	—	—	—	—	—	—	—
IC. All other revenues									
(1) 1st and 2nd party payments	—	—	—	—	—	—	—	—	—
(2) 3rd party payments (except Medicare)	—	—	—	—	—	—	—	—	—
(3) Medicare	—	—	—	—	—	—	—	—	—
(4) Contributions and donations	—	—	—	—	—	—	—	—	—
(5) Other	—	—	—	—	—	—	—	—	—
(6) Refunds	—	—	—	—	—	—	—	—	—
(7) In-kind	—	—	—	—	—	—	—	—	—
Total all other revenues	—	—	—	—	—	—	—	—	—
Total funding	\$ 1,533,843	\$ 205,173	\$ 4,672,489	\$ 548,075	\$ 1,693,978	\$ 652,000	\$ 2,246,142	\$ 917,389	\$ 5,495,331

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenue
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Respite Services	SA Detox	Supported Employment	Supported Housing/Living	TASC	Transitional Beds	Intervention	Outpatient	Residential Services
IA. State SAMH funding									
Contract EH003	\$ 351,750	\$ 6,182,648	\$ 247,452	\$ 413,532	\$ 380,266	\$ 1,346,677	\$ 1,394,255	\$ 5,578,481	\$ 16,848,527
Contract EH003 - carryover	-	-	-	-	-	-	-	-	-
Total state SAMH funding	351,750	6,182,648	247,452	413,532	380,266	1,346,677	1,394,255	5,578,481	16,848,527
IB. Other government funding									
(1) Other state agency funding	-	-	-	-	-	-	-	-	-
(2) Medicaid	-	-	-	-	-	-	-	-	-
(3) Local government	-	-	-	-	-	-	-	-	-
(4) Federal grants and contracts	-	-	-	-	-	-	-	-	-
(5) In-kind from local government only	-	-	-	-	-	-	-	-	-
Total other government funding	-	-	-	-	-	-	-	-	-
IC. All other revenues									
(1) 1st and 2nd party payments	-	-	-	-	-	-	-	-	-
(2) 3rd party payments (except Medicare)	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-
Total funding	\$ 351,750	\$ 6,182,648	\$ 247,452	\$ 413,532	\$ 380,266	\$ 1,346,677	\$ 1,394,255	\$ 5,578,481	\$ 16,848,527

Lutheran Services Florida, Inc. and Subsidiaries
 Substance Abuse and Mental Health Services, Program/Cost Center
 Actual Expenses and Revenues Schedules
 Part I: Actual Funding Sources and Revenue
 Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
 STATE SAMH-FUNDED COST CENTERS
 AMH/CMH/ASA/CSA

Funding Sources and Revenues	Room and Board with Supervision	Bnet	Purchased Residential Therapeutic Services	First Episode Psychosis	Fixed Rate Central Receiving Facilities	Recovery Support	Total for AMH/CMH/ASA/CSA
IA. State SAMH funding							
Contract EH003	\$ 3,369,604	\$ 519,513	\$ 292,165	\$ 447,894	\$ 4,054,535	\$ 76,760	\$ 109,576,544
Contract EH003 - carryover	—	—	—	—	—	—	—
Total state SAMH funding	3,369,604	519,513	292,165	447,894	4,054,535	76,760	109,576,544
IB. Other government funding							
(1) Other state agency funding	—	—	—	—	—	—	—
(2) Medicaid	—	—	—	—	—	—	—
(3) Local government	—	—	—	—	—	—	—
(4) Federal grants and contracts	—	—	—	—	—	—	—
(5) In-kind from local government only	—	—	—	—	—	—	—
Total other government funding	—	—	—	—	—	—	—
IC. All other revenues							
(1) 1st and 2nd party payments	—	—	—	—	—	—	—
(2) 3rd party payments (except Medicare)	—	—	—	—	—	—	—
(3) Medicare	—	—	—	—	—	—	—
(4) Contributions and donations	—	—	—	—	—	—	—
(5) Other	—	—	—	—	—	—	—
(6) Refunds	—	—	—	—	—	—	—
(7) In-kind	—	—	—	—	—	—	—
Total all other revenues	—	—	—	—	—	—	—
Total funding	\$ 3,369,604	\$ 519,513	\$ 292,165	\$ 447,894	\$ 4,054,535	\$ 76,760	\$ 109,576,544

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part I: Actual Funding Sources and Revenue
Budget Period July 1, 2017 through June 30, 2018

AGENCY: Lutheran Services Florida, Inc.

DATE PREPARED: December 18, 2018

CONTRACTS: EH003

BUDGET PERIOD: July 1, 2017 through June 30, 2018

Funding Sources and Revenues	ME Administrative Services	Total for State SAMH-Funded Cost Centers	Total for Non- State-Funded SAMH Cost Centers	Total for all State Designated SAMH-Funded Cost Centers	Non-SAMH Cost Centers	Total Funding
IA. State SAMH funding						
Contract EH003	\$ 3,856,833	\$ 109,576,544	\$ —	\$ 113,433,377	\$ —	\$ 113,433,377
Contract EH003 - carryover	—	2,742,542	—	2,742,542	—	2,742,542
Total state SAMH funding	3,856,833	112,319,086	—	116,175,919	—	116,175,919
IB. Other government funding						
(1) Other state agency funding	—	—	—	—	7,572,323	7,572,323
(2) Medicaid	—	—	—	—	—	—
(3) Local government	—	—	—	—	7,183,241	7,183,241
(4) Federal grants and contracts	—	—	—	—	85,547,318	85,547,318
(5) In-kind from local government only	—	—	—	—	—	—
Total other government funding	—	—	—	—	100,302,882	100,302,882
IC. All other revenues						
(1) 1st and 2nd party payments	—	—	—	—	1,270,053	1,270,053
(2) 3rd party payments (except Medicare)	—	—	—	—	—	—
(3) Medicare	—	—	—	—	—	—
(4) Contributions and donations	—	—	—	—	1,129,609	1,129,609
(5) Other	—	—	—	—	234,033	234,033
(6) Refunds	—	—	—	—	—	—
(7) In-kind	—	—	—	—	4,150,463	4,150,463
Total all other revenues	—	—	—	—	6,784,158	6,784,158
Total funding	\$ 3,856,833	\$ 112,319,086	\$ —	\$ 116,175,919	\$ 107,087,040	\$ 223,262,959

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part II: Actual Expenses
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Aftercare/ Follow-Up	Assessment	Case Management	Clay Behavioral - Crisis Prevention	Community Forensic Beds - Adult Services	Crisis Stabilization	Crisis Support/ Emergency	Day Care	Day Treatment
IIA. Personnel expenses									
(1) Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Fringe benefits	-	-	-	-	-	-	-	-	-
Total personnel expenses	-	-	-	-	-	-	-	-	-
IIB. Other expenses									
(1) Building occupancy	-	-	-	-	-	-	-	-	-
(2) Professional services	-	-	-	-	-	-	-	-	-
(3) Travel	-	-	-	-	-	-	-	-	-
(4) Equipment	-	-	-	-	-	-	-	-	-
(5) Food services	-	-	-	-	-	-	-	-	-
(6) Medical and pharmacy	-	-	-	-	-	-	-	-	-
(7) Subcontracted services	144,350	811,248	4,169,755	290,247	981,009	16,087,777	9,756,251	365,214	1,227,042
(8) Insurance	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	144,350	811,248	4,169,755	290,247	981,009	16,087,777	9,756,251	365,214	1,227,042
Total personnel and other expenses	144,350	811,248	4,169,755	290,247	981,009	16,087,777	9,756,251	365,214	1,227,042
IIC. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-
Total actual operating expenses	144,350	811,248	4,169,755	290,247	981,009	16,087,777	9,756,251	365,214	1,227,042
IID. Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 144,350	\$ 811,248	\$ 4,169,755	\$ 290,247	\$ 981,009	\$ 16,087,777	\$ 9,756,251	\$ 365,214	\$ 1,227,042
II E. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part II: Actual Expenses
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Drop-In/ Self-Help Centers	FR - CAT Teams	Florida Assertive Community Treatment (FACT) Team	FIT Teams	HIV Services	Incidental Expenses	Indigent Psych Medication Program	Information and Referral	In-Home/ On-Site
IIA. Personnel expenses									
(1) Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Fringe benefits	-	-	-	-	-	-	-	-	-
Total personnel expenses	-	-	-	-	-	-	-	-	-
IIB. Other expenses									
(1) Building occupancy	-	-	-	-	-	-	-	-	-
(2) Professional services	-	-	-	-	-	-	-	-	-
(3) Travel	-	-	-	-	-	-	-	-	-
(4) Equipment	-	-	-	-	-	-	-	-	-
(5) Food services	-	-	-	-	-	-	-	-	-
(6) Medical and pharmacy	-	-	-	-	-	-	-	-	-
(7) Subcontracted services	496,414	1,750,000	7,458,007	2,561,799	351,096	1,899,762	151,326	1,169,997	436,772
(8) Insurance	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	496,414	1,750,000	7,458,007	2,561,799	351,096	1,899,762	151,326	1,169,997	436,772
Total personnel and other expenses	496,414	1,750,000	7,458,007	2,561,799	351,096	1,899,762	151,326	1,169,997	436,772
IIC. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-
Total actual operating expenses	496,414	1,750,000	7,458,007	2,561,799	351,096	1,899,762	151,326	1,169,997	436,772
IID. Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 496,414	\$ 1,750,000	\$ 7,458,007	\$ 2,561,799	\$ 351,096	\$ 1,899,762	\$ 151,326	\$ 1,169,997	\$ 436,772
IIE. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part II: Actual Expenses
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Inpatient	Intensive Case Management	Medical Services	Mental Health Clubhouse Services	Methadone Treatment	Multi-Disciplinary Forensic Team	Outreach	PATH Community Support Services Federal	Prevention
IIA. Personnel expenses									
(1) Salaries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
(2) Fringe benefits	—	—	—	—	—	—	—	—	—
Total personnel expenses	—	—	—	—	—	—	—	—	—
IIB. Other expenses									
(1) Building occupancy	—	—	—	—	—	—	—	—	—
(2) Professional services	—	—	—	—	—	—	—	—	—
(3) Travel	—	—	—	—	—	—	—	—	—
(4) Equipment	—	—	—	—	—	—	—	—	—
(5) Food services	—	—	—	—	—	—	—	—	—
(6) Medical and pharmacy	—	—	—	—	—	—	—	—	—
(7) Subcontracted services	1,533,843	205,173	4,672,489	548,075	1,693,978	652,000	2,246,142	917,389	5,495,331
(8) Insurance	—	—	—	—	—	—	—	—	—
(9) Interest paid	—	—	—	—	—	—	—	—	—
(10) Operating supplies and expenses	—	—	—	—	—	—	—	—	—
(11) Other	—	—	—	—	—	—	—	—	—
(12) Donated items	—	—	—	—	—	—	—	—	—
Total other expenses	1,533,843	205,173	4,672,489	548,075	1,693,978	652,000	2,246,142	917,389	5,495,331
Total personnel and other expenses	1,533,843	205,173	4,672,489	548,075	1,693,978	652,000	2,246,142	917,389	5,495,331
IIC. Distributed indirect costs									
(a) Other support costs (optional)	—	—	—	—	—	—	—	—	—
(b) Administration	—	—	—	—	—	—	—	—	—
Total distributed indirect costs	—	—	—	—	—	—	—	—	—
Total actual operating expenses	1,533,843	205,173	4,672,489	548,075	1,693,978	652,000	2,246,142	917,389	5,495,331
IID. Unallowable costs	—	—	—	—	—	—	—	—	—
Total allowable operating expenses	\$ 1,533,843	\$ 205,173	\$ 4,672,489	\$ 548,075	\$ 1,693,978	\$ 652,000	\$ 2,246,142	\$ 917,389	\$ 5,495,331
IIE. Capital expenditures	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part II: Actual Expenses
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Respite Services	SA Detox	Supported Employment	Supported Housing/Living	TASC	Transitional Beds	Intervention	Outpatient	Residential Services
IIA. Personnel expenses									
(1) Salaries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
(2) Fringe benefits	—	—	—	—	—	—	—	—	—
Total personnel expenses	—	—	—	—	—	—	—	—	—
IIB. Other expenses									
(1) Building occupancy	—	—	—	—	—	—	—	—	—
(2) Professional services	—	—	—	—	—	—	—	—	—
(3) Travel	—	—	—	—	—	—	—	—	—
(4) Equipment	—	—	—	—	—	—	—	—	—
(5) Food services	—	—	—	—	—	—	—	—	—
(6) Medical and pharmacy	—	—	—	—	—	—	—	—	—
(7) Subcontracted services	351,750	6,182,648	247,452	413,532	380,266	1,346,677	1,394,255	5,578,481	16,848,527
(8) Insurance	—	—	—	—	—	—	—	—	—
(9) Interest paid	—	—	—	—	—	—	—	—	—
(10) Operating supplies and expenses	—	—	—	—	—	—	—	—	—
(11) Other	—	—	—	—	—	—	—	—	—
(12) Donated items	—	—	—	—	—	—	—	—	—
Total other expenses	351,750	6,182,648	247,452	413,532	380,266	1,346,677	1,394,255	5,578,481	16,848,527
Total personnel and other expenses	351,750	6,182,648	247,452	413,532	380,266	1,346,677	1,394,255	5,578,481	16,848,527
IIC. Distributed indirect costs									
(a) Other support costs (optional)	—	—	—	—	—	—	—	—	—
(b) Administration	—	—	—	—	—	—	—	—	—
Total distributed indirect costs	—	—	—	—	—	—	—	—	—
Total actual operating expenses	351,750	6,182,648	247,452	413,532	380,266	1,346,677	1,394,255	5,578,481	16,848,527
IID. Unallowable costs	—	—	—	—	—	—	—	—	—
Total allowable operating expenses	\$ 351,750	\$ 6,182,648	\$ 247,452	\$ 413,532	\$ 380,266	\$ 1,346,677	\$ 1,394,255	\$ 5,578,481	\$ 16,848,527
IIE. Capital expenditures	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part II: Actual Expenses
Budget Period July 1, 2017 through June 30, 2018

STATE-DESIGNATED SAMH COST CENTERS
STATE SAMH-FUNDED COST CENTERS
AMH/CMH/ASA/CSA

Funding Sources and Revenues	Room and Board with Supervision	Bnet	Purchased Residential Therapeutic Services	First Episode Psychosis	Fixed Rate Central Receiving Facilities	Recovery Support	Total for AMH/CMH/ASA/CSA
IIA. Personnel expenses							
(1) Salaries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
(2) Fringe benefits	—	—	—	—	—	—	—
Total personnel expenses	—	—	—	—	—	—	—
IIB. Other expenses							
(1) Building occupancy	—	—	—	—	—	—	—
(2) Professional services	—	—	—	—	—	—	—
(3) Travel	—	—	—	—	—	—	—
(4) Equipment	—	—	—	—	—	—	—
(5) Food services	—	—	—	—	—	—	—
(6) Medical and pharmacy	—	—	—	—	—	—	—
(7) Subcontracted services	3,369,604	519,513	292,165	447,894	4,054,535	76,760	109,576,544
(8) Insurance	—	—	—	—	—	—	—
(9) Interest paid	—	—	—	—	—	—	—
(10) Operating supplies and expenses	—	—	—	—	—	—	—
(11) Other	—	—	—	—	—	—	—
(12) Donated items	—	—	—	—	—	—	—
Total other expenses	3,369,604	519,513	292,165	447,894	4,054,535	76,760	109,576,544
Total personnel and other expenses	3,369,604	519,513	292,165	447,894	4,054,535	76,760	109,576,544
IIC. Distributed indirect costs							
(a) Other support costs (optional)	—	—	—	—	—	—	—
(b) Administration	—	—	—	—	—	—	—
Total distributed indirect costs	—	—	—	—	—	—	—
Total actual operating expenses	3,369,604	519,513	292,165	447,894	4,054,535	76,760	109,576,544
IID. Unallowable costs	—	—	—	—	—	—	—
Total allowable operating expenses	\$ 3,369,604	\$ 519,513	\$ 292,165	\$ 447,894	\$ 4,054,535	\$ 76,760	\$ 109,576,544
II E. Capital expenditures	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Part II: Actual Expenses
Budget Period July 1, 2017 through June 30, 2018

AGENCY: Lutheran Services Florida, Inc.

DATE PREPARED: December 18, 2018

CONTRACTS: EH003

BUDGET PERIOD: July 1, 2017 through June 30, 2018

Funding Sources and Revenues	ME Administrative Services	Carry Forward	Total for State SAMH-Funded Cost Centers	Total for Non- State-Funded SAMH Cost Centers	Total for all State Designated SAMH-Funded Cost Centers	Non-SAMH Cost Centers	Administration	Advancement	Total Expenses
IIA. Personnel expenses									
(1) Salaries	\$ 2,523,209	\$ —	\$ 2,523,209	\$ —	\$ 2,523,209	\$ 41,233,331	\$ 3,970,611	\$ 17,206	\$ 47,744,357
(2) Fringe benefits	495,486	—	495,486	—	495,486	10,448,343	1,140,342	2,475	12,086,646
Total personnel expenses	3,018,695	—	3,018,695	—	3,018,695	51,681,674	5,110,953	19,681	59,831,003
IIB. Other expenses									
(1) Building occupancy	150,373	—	150,373	—	150,373	5,981,721	338,100	3,253	6,473,447
(2) Professional services	497,387	—	497,387	—	497,387	1,858,192	528,414	55,506	2,939,499
(3) Travel	162,760	—	162,760	—	162,760	2,159,874	141,803	6,043	2,470,480
(4) Equipment	19,528	—	19,528	—	19,528	3,290,396	364,536	29,299	3,703,759
(5) Food services	—	—	—	—	—	2,426,889	7	—	2,426,896
(6) Medical and pharmacy	—	—	—	—	—	—	—	—	—
(7) Subcontracted services	59,559	1,281,016	110,917,119	—	110,917,119	21,077,043	—	—	131,994,162
(8) Insurance	13,081	—	13,081	—	13,081	701,148	75,265	196	789,690
(9) Interest paid	—	—	—	—	—	150,917	187,023	0	337,940
(10) Operating supplies and expenses	54,833	—	54,833	—	54,833	7,481,762	213,217	26,657	7,776,469
(11) Other	69,684	—	69,684	—	69,684	376,318	324,075	5,619	775,696
(12) Donated items	—	—	—	—	—	4,149,462	1,000	—	4,150,462
Total other expenses	1,027,205	1,281,016	111,884,765	—	111,884,765	49,653,722	2,173,440	126,573	163,838,500
Total personnel and other expenses	4,045,900	1,281,016	114,903,460	—	114,903,460	101,335,396	7,284,393	146,254	223,669,503
IIC. Distributed indirect costs									
(a) Other support costs (optional)	—	—	—	—	—	—	—	—	—
(b) Administration	279,282	—	279,282	—	279,282	6,995,016	(7,284,393)	10,096	1
Total distributed indirect costs	279,282	—	279,282	—	279,282	6,995,016	(7,284,393)	10,096	1
Total actual operating expenses	4,325,182	1,281,016	115,182,742	—	115,182,742	108,330,412	—	156,350	223,669,504
IID. Unallowable costs	859	—	859	—	859	41,552	—	—	42,411
Total allowable operating expenses	\$ 4,324,323	\$ 1,281,016	\$ 115,181,883	\$ —	\$ 115,181,883	\$ 108,288,860	\$ —	\$ 156,350	\$ 223,627,093
IIE. Capital expenditures	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 297,636	\$ 62,737	\$ —	\$ 360,373

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Schedule of State Earnings
Year Ended June 30, 2018

* This schedule does not apply for the year ended June 30, 2018.

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Schedule of Bed-Day Availability Payments
Year Ended June 30, 2018

* This schedule does not apply for the year ended June 30, 2018.

Lutheran Services Florida, Inc. and Subsidiaries
Substance Abuse and Mental Health Services, Program/Cost Center
Actual Expenses and Revenues Schedules
Schedule of Related Party Transaction Adjustments
Year Ended June 30, 2018

* This schedule does not apply for the year ended June 30, 2018.

Reports Required by *Government Auditing Standards*,
Uniform Guidance and Florida Single Audit Act



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*

Audit Committee
Lutheran Services Florida, Inc. and Subsidiaries
Tampa, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lutheran Services Florida, Inc. and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, 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 December 18, 2018.

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 (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 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 Organization's consolidated 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 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*.

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.

BDO USA, LLP

BDO USA, LLP
Certified Public Accountants
December 18, 2018



Independent Auditor's Report on Compliance For Each Major Federal Program and State Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*

Audit Committee
Lutheran Services Florida, Inc. and Subsidiaries
Tampa, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Lutheran Services Florida, Inc. and its subsidiaries' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and in the State of Florida's *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2018. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects 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; 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); and Chapter 10.650, *Rules of the State of Florida Auditor General* (Chapter 10.650). Those standards, the Uniform Guidance and Chapter 10.650 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 or state project occurred. An audit includes 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 and state project. However, our audit does not provide a legal determination of the Organization's compliance.



Opinion on Each Major Federal Program and State Project

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 and state projects for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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 and state project 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 state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, 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 or state project 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 type of compliance requirement of a federal program or state project 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 or state project 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.

Purpose of this Report

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 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

BDO USA, LLP

Certified Public Accountants

December 18, 2018

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Provided To Subrecipients	Total Federal / State Expenditures
U.S. Department of Agriculture:				
<i>Passed-through from Florida Department of Health:</i>				
Child and Adult Care Food Program	10.558	D-154	\$ —	\$ 4,398,679
	10.558	S-121	—	2,563,041
	10.558	H-3109	—	20,796
	10.558	H-3110	—	14,665
	10.558	H-3654	—	23,022
	10.558	H-3365	—	31,538
Subtotal - U.S. Department of Agriculture				7,051,741
U.S. Department of Housing and Urban Development:				
<i>Passed-through from Miami-Dade County, State of Florida:</i>				
Supportive Housing Program	14.235	FL0126L4D001407	8,831	28,478
<i>Passed-through from Florida Department of Health:</i>				
Housing Opportunities for Persons with AIDS	14.241	CODMB	—	301,272
Subtotal - U.S. Department of Housing and Urban Development				329,750
U.S. Department of Justice:				
<i>Passed-through from the State of Florida Office of Attorney General:</i>				
Crime Victim Assistance	16.575	VOCA-2017-LSF-00182	—	199,960
U.S. Department of State:				
<i>Passed-through from Lutheran Immigration and Refugee Services:</i>				
U.S. Refugee Admissions Program	19.510	SPRMCO17CA1010	—	125,331
	19.510	SPRMCO18CA0003	—	109,970
Subtotal - U.S. Department of State				235,301
U.S. Department of Health and Human Services:				
<i>Substance Abuse and Mental Health Services Projects of Regional and National Significance</i>				
Services to Victims of a Severe Form of Trafficking	93.243	16G02HP30589	—	210,370
Basic Center Grant	93.598	90ZV0132-01	—	87,567
	93.623	90CY6957-01	—	119,724
	93.623	90CY6962-01	—	94,326

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Provided To Subrecipients	Total Federal / State Expenditures
Head Start	93.600	04CH4683/04	—	433,854
	93.600	04CH4683/05	—	732,080
	93.600	04CH4644/05	1,460,605	15,656,048
	93.600	04CH4699/04	4,011,719	12,123,082
	93.600	04CH4699/05	1,308,007	4,027,269
	93.600	04CH4702/04	1,666,583	4,140,225
	93.600	04CH4702/05	7,030,058	14,127,187
	93.600	04HP0018/02	55,711	135,368
	93.600	04HP0018/03	710,598	1,355,307
<i>Passed-through from Hillsborough County, State of Florida:</i>				
Head Start	93.600	04CH3035/51	248,456	377,433
	93.600	04CH3035/52	723,441	1,124,917
<i>Passed-through Florida Association of Healthy Start Coalitions, Inc.:</i>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	17-04-FY1718	—	252,397
<i>Passed-through Northeast Florida Healthy Start Coalition:</i>				
Advancing System Improvements for Key Issues in Women's Health	93.088	ASTWH170065- 01-00	—	7,500
<i>Passed-through from State of Florida Department of Children and Families:</i>				
Refugee and Entrant Assistance - State Administered Programs	93.566	LK156	—	198,355
	93.566	LK172	—	528,795
	93.566	LK183	—	1,792,098
	93.566	LK188	—	374,840
	93.566	LK191	—	1,668,168
	93.566	XK055	—	318,693
Refugee and Entrant Assistance - Discretionary Grants	93.576	LK172	—	75,139
	93.576	LK183	—	101,487
	93.576	LK191	—	87,381
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	LK172	—	81,195
	93.584	LK183	—	183,263
	93.584	LK191	—	494,741
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	EH003**	365,848	390,764
Projects for Assistance in Transition from Homelessness (PATH)	93.150	EH003**	917,389	917,389

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Provided To Subrecipients	Total Federal / State Expenditures
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	EH003**	53,385	53,385
TANF Cluster*:				
Temporary Assistance for Needy Families	93.558	EH003**	2,195,233	2,304,849
Children's Health Insurance Program	93.767	EH003**	519,513	621,990
Medicaid Cluster:				
Medical Assistance Program	93.778	EH003**	2,306,809	2,536,495
State Targeted Response to the Opioid Crisis Grants	93.788	EH003**	2,910,594	2,944,547
Block Grants for Community Mental Health Services	93.958	EH003**	51,357,965	54,098,375
Block Grants for Prevention and Treatment of Substance Abuse	93.959	EH003**	41,997,616	43,982,238
Mental Health Disaster Assistance and Emergency Mental Health	93.982	EH003**	54,600	221,100
<i>Passed-through from State of Florida</i>				
<i>Department of Health:</i>				
Refugee and Entrant Assistance - Discretionary Grants	93.576	CODLN	—	7,129
HIV Care Formula Grants	93.917	CODLS	741,140	1,380,196
<i>Passed-through from Lutheran Immigration and Refugee Services:</i>				
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	90RV0071/02	—	545,136
	93.567	90RV0071/03	—	657,765
Refugee and Entrant Assistance - Discretionary Grants	93.576	90RP0113-02	—	4,498
	93.576	90RP0113-03	—	16,746
Unaccompanied Alien Children Program	93.676	90ZU0223-01	—	55,580
	93.676	90ZU0223-02	—	26,320
	93.676	90ZU0172-01	—	142,653
	93.676	90ZU0172-02	—	97,315
<i>Passed-through from Florida Network of Youth and Family Services, Inc.:</i>				
Foster Care - Title IV-E	93.658	Southeast	—	31,317
	93.658	Southwest	—	39,178
	93.658	Northwest	—	41,492
<i>Passed-through Eckerd Connects:</i>				
Promoting Safe and Stable Families TANF Cluster*:	93.556	ECA-C6-CMO-LSF- FY19	—	56,335
Temporary Assistance for Needy Families	93.558	ECA-C6-CMO-LSF- FY19	—	1,037,608

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Provided To Subrecipients	Total Federal / State Expenditures
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	ECA-C6-CMO-LSF- FY19	—	422,059
Foster Care - Title IV-E	93.658	ECA-C6-CMO-LSF- FY19	—	2,731,953
Adoption Assistance	93.659	ECA-C6-CMO-LSF- FY19	—	670,548
<i>Passed-through from Children's Network of Southwest Florida, LLC:</i>				
Promoting Safe and Stable Families	93.556	ABK01	—	83,444
	93.556	FBN03	—	2,389
TANF Cluster*: Temporary Assistance for Needy Families	93.558	ABK01	—	1,126,947
	93.558	FBN03	—	89,403
Grants to States for Access and Visitation Programs	93.597	ABK01	—	24,064
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	ABK01	—	458,576
	93.645	FBN03	—	17,567
Foster Care - Title IV-E	93.658	ABK01	—	2,968,755
	93.658	WAL01	—	195,499
	93.658	FBN03	—	299,435
Adoption Assistance	93.659	ABK01	—	728,563
	93.659	FBN03	—	16,200
Social Services Block Grant	93.667	WAL01	—	63,758
Block Grants for Community Mental Health Services	93.958	WAL01	—	11,739
<i>Passed-through from South Florida Workforce Investment Board:</i>				
Refugee and Entrant Assistance - State Administered Programs	93.566	RET-DP-PY 17-08-00	—	670,686
Refugee and Entrant Assistance - Discretionary Grants	93.576	RET-DP-PY 17-08-00	—	13,319
Refugee and Entrant Assistant - Targeted Assistance Grants	93.584	RET-DP-PY 17-08-00	—	1,634,405
<i>Passed-through from The Florida Council for Community Mental Health</i>				
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	5U79SM061748	47,411	49,666
<i>Passed-through from The University of Illinois</i>				
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	90RT5038-02-00	—	139,871

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Provided To Subrecipients	Total Federal / State Expenditures
<i>Passed-through from Lakeview Center, Inc.:</i>				
Foster Care - Title IV-E	93.658	C-010-101	—	89,459
Social Services Block Grant	93.667	C-010-101	—	29,081
Block Grants for Community Mental Health Services	93.958	C-010-200	—	53,257
<i>Passed-through from Tapastri, Inc.:</i>				
Block Grants for Community Mental Health Services	93.958	90ZV0122	—	203,835
Subtotal - U.S. Department of Health and Human Services			120,682,681	185,913,687
Total Expenditures of Federal Awards			120,691,512	193,730,439
State Courts System:				
<i>Passed-through from Gulf Coast Kid's House:</i>				
Florida Network of Children Advocacy Centers	22.016	N/A	—	102,611
Department of Children and Families:				
Forensic Services and Competency Restoration Training	60.114	EH003**	1,995,104	1,633,009
Substance Abuse and Mental Health - Community Services	60.153	EH003**	412,984	500,000
Substance Abuse and Mental Health - Crisis Prevention and Stabilization Services	60.155	EH003**	1,613,881	1,623,634
Centralized Receiving Systems	60.163	EH003**	4,164,418	4,348,143
Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant Program	60.115	EH003**	—	76,177
<i>Passed-through from Eckerd Connects:</i>				
In-Home Supports	60.075	ECA-C6-CMO- LSF-FY19	—	6,018
Subtotal - Department of Children and Families			8,186,387	8,186,981
Department of Education:				
<i>Passed-through from the Early Learning Coalition of Pinellas County</i>				
Voluntary Pre-Kindergarten Education Program	48.108	N/A	—	1,160,474

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Provided To Subrecipients	Total Federal / State Expenditures
<i>Passed-through from the Early Learning Coalition of Palm Beach County</i> Voluntary Pre-Kindergarten Education Program	48.108	N/A	—	866,765
<i>Passed-through from the Early Learning Coalition of Duval County</i> Voluntary Pre-Kindergarten Education Program	48.108	N/A	—	575,196
Subtotal - Department of Education			—	2,602,435
Department of Health: Medical Services for Abused and Neglected Children	64.006	CSPAN	—	34,800
Department of Elder Affairs: Public Guardianship	65.003 65.003	X9207 X9237	— —	137,989 260,229
Subtotal - Department of Elder Affairs			—	398,218
Department of Juvenile Justice: <i>Passed-through from Florida Network of Youth and Family Services, Inc.:</i> Children and Families in Need of Services (CINS/FINS)	80.005 80.005 80.005	Southeast Southwest Northwest	— — —	1,122,075 1,546,875 1,571,126
Subtotal - Department of Juvenile Justice			—	4,240,076
Total Expenditures of State Financial Assistance			8,186,386	15,565,121
		Grand Total	\$128,877,899	\$209,295,560

The accompanying notes are an integral part of this schedule.

* See TANF Cluster subtotal at accompanying notes to schedule of expenditures of federal awards and state financial assistance.

** Total expenditures for contract EH003 includes a net carryforward to fiscal 2019 of \$1,668,398. Transfer provided to subrecipients for CSFA 60.114 includes a carryforward from fiscal 2017 of \$362,095.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of Lutheran Services Florida, Inc. and Subsidiaries under programs of the federal government and the State of Florida for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the 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) and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Lutheran Services Florida, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lutheran Services Florida, Inc. and Subsidiaries.

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 principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Lutheran Services Florida, Inc. and Subsidiaries has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Other

The accompanying Schedule presents federal expenditures and state financial assistance by pass-through agency. Expenditures of certain federal programs and state projects were awarded to Lutheran Services Florida, Inc. and Subsidiaries by more than one pass-through agency or under more than one contract. Total expenditures by federal award program and state project are summarized on pages 62-63.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

CFDA No.	Federal Program	Federal Expenditures
93.558	TANF Cluster: Temporary Assistance for Needy Families	\$ 4,558,806
93.778	Medicaid Cluster: Medical Assistance Program	2,536,495
10.558	Child and Adult Care Food Program	7,051,741
14.235	Supportive Housing Program	28,478
14.241	Housing Opportunities for Persons with AIDS	301,272
16.575	Crime Victim Assistance	199,960
19.510	U.S. Refugee Admission Program	235,300
93.088	Advancing System Improvements for Key Issues in Women's Health	7,500
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	390,764
93.150	Projects for Assistance in Transition from Homelessness (PATH)	917,389
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	263,755
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	189,537
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	252,397
93.556	Promoting Safe and Stable Families	142,168
93.566	Refugee and Entrant Assistance - State Administered Programs	5,551,635
93.567	Refugee and Entrant Assistance - Voluntary Agency Programs	1,202,901
93.576	Refugee and Entrant Assistance - Discretionary Grants	305,699
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	2,393,604
93.597	Grants to States for Access and Visitation Programs	24,064
93.598	Services to Victims of a Severe Form of Trafficking	87,567
93.600	Head Start	54,232,773
93.623	Basic Center Grant	214,050
93.645	Stephanie Tubbs Jones Child Welfare Services Programs	898,202
93.658	Foster Care - Title IV-E	6,397,089
93.659	Adoption Assistance	1,415,311
93.667	Social Services Block Grant	92,838
93.676	Unaccompanied Alien Children Program	321,867
93.767	Children's Health Insurance Program	621,990
93.788	State Targeted Response to the Opioid Crisis Grants	2,944,547
93.917	HIV Care Formula Grants	1,380,196
93.958	Block Grants for Community Mental Health Services	54,367,206
93.959	Block Grants for Prevention and Treatment of Substance Abuse	43,982,238
93.982	Mental Health Disaster Assistance and Emergency Mental Health	221,100
Total expenditures of federal awards		\$ 193,730,439

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2018

CSFA No.	State Project	State Expenditures
22.016	Florida Network of Children Advocacy Centers	\$ 102,610
48.108	Voluntary Pre-Kindergarten Education Program	2,602,435
60.075	In-Home Supports	6,018
60.114	Forensic Services and Competency Restoration Training	1,633,009
60.115	Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant Program	76,177
60.153	Substance Abuse and Mental Health - Community Services	500,000
60.155	Substance Abuse and Mental Health - Crisis Prevention and Stabilization Services	1,623,634
60.163	Centralized Receiving Systems	4,348,143
64.006	Medical Services for Abused and Neglected Children	34,800
65.003	Public Guardianship	398,219
80.005	Children and Families in Need of Services (CINS/FINS)	4,240,076
Total expenditures of state financial assistance		\$ 15,565,121

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None Reported
 Yes No

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
93.558	Temporary Assistance for Needy Families
93.566	Refugee and Entrant Assistance - State Administered Programs
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants
93.658	Foster Care Title IV-E
93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

Yes No

State Projects

Internal control over major projects:

- Material weaknesses identified?
- Significant deficiencies identified?

Yes No
 Yes None Reported

Type of auditor's report issued on compliance for major state projects:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650?

Yes No

Identification of major projects:

<u>CSFA Number</u>	<u>State Project:</u>
48.108	Voluntary Pre-Kindergarten Education Program
60.114	Forensic Services and Competency Restoration Training
60.163	Centralized Receiving Systems
65.003	Public Guardianship

Dollar threshold used to distinguish between Type A and Type B programs:

\$466,954

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the consolidated financial statements which are required to be reported in accordance with generally accepted government auditing standards.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

SECTION IV - STATE PROJECTS FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs for state projects (as defined in Chapter 10.650) that are required to be reported.