

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Financial and Compliance Report
June 30, 2019

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Independent Auditor's Report

To the Board of Directors
Lutheran Services Florida, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Services Florida, Inc. and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2019, 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lutheran Services Florida, Inc. and its subsidiaries as of June 30, 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting

As discussed in Note 1 to the accompanying consolidated financial statements, Lutheran Services Florida, Inc. and its subsidiaries adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters – Prior Year Financial Statements

The consolidated financial statements of Lutheran Services Florida, Inc. and its subsidiaries, as of and for the year ended June 30, 2018, were audited by other auditors, whose report, dated December 18, 2018, expressed an unmodified audit opinion on those consolidated financial statements.

Other Matters – Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards 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 State of Florida Chapter 10.650, *Rules of the Auditor General*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of Lutheran Services Florida, Inc. and its subsidiaries' 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 Lutheran Services Florida, Inc. and its subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Services Florida, Inc. and its subsidiaries' internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
December 26, 2019

Lutheran Services Florida, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,174,720	\$ 2,972,161
Accounts receivable, net (Note 4)	21,143,582	25,649,808
Current portion of gifted facilities (Note 7)	1,487,442	1,316,590
Prepaid expenses	934,550	765,553
Total current assets	37,740,294	30,704,112
Investments (Note 3)	955,432	893,038
Assets limited as to use (Note 3)	485,740	300,317
Beneficial interest in assets held by others (Notes 3 and 6)	850,018	841,143
Gifted facilities, net of current portion (Note 7)	5,412,812	400,119
Property and equipment, net (Note 5)	6,082,882	6,682,051
Other assets	179,731	152,660
Total assets	\$ 51,706,909	\$ 39,973,440
Liabilities and Net Assets		
Current liabilities:		
Line of credit (Note 9)	\$ 2,765,842	\$ 3,365,861
Accounts payable (Note 8)	19,841,720	15,955,424
Accrued salaries and payroll related expenses	5,137,946	4,596,815
Other accrued expenses	1,038,136	2,322,333
Deferred revenue	8,848,087	4,519,887
Current portion of capital lease obligations (Note 10)	366,124	342,831
Total current liabilities	37,997,855	31,103,151
Capital lease obligations, net of current portion (Note 10)	1,860,172	2,226,295
Total liabilities	39,858,027	33,329,446
Commitments and contingencies (Notes 10, 14 and 16)		
Net assets (Notes 11 and 12):		
Without donor restrictions	1,873,808	1,682,361
With donor restrictions	9,975,074	4,961,633
Total net assets	11,848,882	6,643,994
Total liabilities and net assets	\$ 51,706,909	\$ 39,973,440

See notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Government grants and contracts	\$ 237,575,155	\$ -	\$ 237,575,155	\$ 214,914,067	\$ -	\$ 214,914,067
In-kind contributions (Note 15)	5,057,806	-	5,057,806	4,150,463	-	4,150,463
Contributions	300,363	6,781,548	7,081,911	905,097	224,512	1,129,609
Program service fees	1,144,206	-	1,144,206	1,270,053	-	1,270,053
Other income, net	565,509	-	565,509	300,896	-	300,896
Investment income, net	129,099	-	129,099	98,385	-	98,385
Change in value of beneficial interest in assets held by others	8,875	-	8,875	24,293	-	24,293
Net assets released from restrictions (Note 11)	1,768,107	(1,768,107)	-	2,273,527	(2,273,527)	-
Total revenues and support	246,549,120	5,013,441	251,562,561	223,936,781	(2,049,015)	221,887,766
Expenses:						
Program services	238,708,590	-	238,708,590	216,238,856	-	216,238,856
Supporting services	7,649,083	-	7,649,083	7,430,647	-	7,430,647
Total expenses	246,357,673	-	246,357,673	223,669,503	-	223,669,503
Change in net assets before discontinued operations	191,447	5,013,441	5,204,888	267,278	(2,049,015)	(1,781,737)
Net loss from discontinued operations (Note 2)	-	-	-	(325,940)	-	(325,940)
Change in net assets	191,447	5,013,441	5,204,888	(58,662)	(2,049,015)	(2,107,677)
Net assets at beginning of year	1,682,361	4,961,633	6,643,994	1,741,023	7,010,648	8,751,671
Net assets at end of year	\$ 1,873,808	\$ 9,975,074	\$ 11,848,882	\$ 1,682,361	\$ 4,961,633	\$ 6,643,994

See notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services						Supporting Services			
	Children's Services	Youth and Family Services	Resettlement Services	Adult Services	Substance Abuse and Mental Health Services	Total Program Services	General and Administrative	Advancement	Total Supporting Services	Total Expenses
Salaries	\$ 24,980,287	\$ 11,495,383	\$ 3,767,401	\$ 876,382	\$ 2,812,655	\$ 43,932,108	\$ 3,980,857	\$ 40,504	\$ 4,021,361	\$ 47,953,469
Payroll taxes and employee benefits	7,412,789	3,018,989	1,033,978	308,144	603,259	12,377,159	1,087,282	15,523	1,102,805	13,479,964
Total salaries and related expenses	32,393,076	14,514,372	4,801,379	1,184,526	3,415,914	56,309,267	5,068,139	56,027	5,124,166	61,433,433
Professional fees and contract services	1,440,243	220,858	210,179	254,503	472,412	2,598,195	990,999	131	991,130	3,589,325
Subcontractor expenses	21,049,335	-	-	783,005	131,646,762	153,479,102	-	-	-	153,479,102
Office expenses and program supplies	1,424,515	280,012	69,739	13,986	146,596	1,934,848	134,612	1,716	136,328	2,071,176
Food	2,481,535	137,843	643	364	128	2,620,513	32	-	32	2,620,545
Assistance to individuals	4,123,304	74,823	526,332	300,536	-	5,024,995	-	-	-	5,024,995
Occupancy	3,662,551	626,035	733,032	138,379	194,465	5,354,462	437,040	1,822	438,862	5,793,324
Repairs and maintenance	1,421,030	155,470	35,891	8,043	4,924	1,625,358	19,179	124	19,303	1,644,661
Equipment costs	230,405	90,468	35,641	14,107	22,839	393,460	61,670	24,231	85,901	479,361
Insurance and taxes	523,505	160,889	48,378	16,504	15,430	764,706	75,553	154	75,707	840,413
Transportation and travel	1,046,295	799,201	98,242	45,553	169,799	2,159,090	146,327	8,497	154,824	2,313,914
Postage, printing and publication	73,274	50,556	65,469	15,986	13,113	218,398	30,584	5,277	35,861	254,259
Interest	131,336	443	-	-	-	131,779	197,449	-	197,449	329,228
In-kind expenses (Note 15)	4,683,642	38,453	335,711	-	-	5,057,806	-	-	-	5,057,806
Other operating expenses	169,329	118,442	1,928	(3,230)	52,264	338,733	138,400	6,990	145,390	484,123
Total expenses before depreciation and amortization	74,853,375	17,267,865	6,962,564	2,772,262	136,154,646	238,010,712	7,299,984	104,969	7,404,953	245,415,665
Depreciation and amortization	633,327	51,167	-	6,162	7,222	697,878	244,130	-	244,130	942,008
Total operating expenses	\$ 75,486,702	\$ 17,319,032	\$ 6,962,564	\$ 2,778,424	\$ 136,161,868	\$ 238,708,590	\$ 7,544,114	\$ 104,969	\$ 7,649,083	\$ 246,357,673

See 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			
	Children's Services	Youth and Family Services	Resettlement Services	Adult Services	Substance Abuse and Mental Health Services	Total Program Services	General and Administrative	Advancement	Total Supporting Services	Total Expenses
Salaries	\$ 24,042,915	\$ 11,115,949	\$ 5,128,845	\$ 945,622	\$ 2,523,209	\$ 43,756,540	\$ 3,970,611	\$ 17,206	\$ 3,987,817	\$ 47,744,357
Payroll taxes and employee benefits	6,334,799	2,556,155	1,273,534	283,855	495,486	10,943,829	1,140,342	2,475	1,142,817	12,086,646
Total salaries and related expenses	30,377,714	13,672,104	6,402,379	1,229,477	3,018,695	54,700,369	5,110,953	19,681	5,130,634	59,831,003
Professional fees and contract services	1,307,762	215,789	69,074	265,567	497,387	2,355,579	528,414	55,506	583,920	2,939,499
Subcontractor expenses	20,341,805	8,831	-	741,140	110,902,386	131,994,162	-	-	-	131,994,162
Office expenses and program supplies	1,449,638	231,977	149,119	15,589	43,006	1,889,329	101,580	3,787	105,367	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	150,373	6,132,094	338,100	3,253	341,353	6,473,447
Repairs and maintenance	1,788,036	162,176	69,570	11,143	7,049	2,037,974	22,537	321	22,858	2,060,832
Equipment costs	284,505	92,414	43,336	13,854	12,479	446,588	51,707	28,879	80,586	527,174
Insurance and taxes	464,823	147,130	72,102	17,093	13,081	714,229	75,265	196	75,461	789,690
Transportation and travel	1,194,312	746,085	177,496	41,981	162,760	2,322,634	141,803	6,043	147,846	2,470,480
Postage, printing and publication	69,286	44,085	48,305	23,824	11,827	197,327	48,457	22,870	71,327	268,654
Interest	150,757	160	-	-	-	150,917	187,023	-	187,023	337,940
In-kind expenses (Note 15)	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	69,684	446,002	324,075	5,619	329,694	775,696
Total expenses before depreciation and amortization	71,606,159	16,301,334	9,795,691	2,821,583	114,888,727	215,413,494	6,994,101	146,155	7,140,256	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	\$ 114,888,727	\$ 216,238,856	\$ 7,284,393	\$ 146,254	\$ 7,430,647	\$ 223,669,503

See notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 5,204,888	\$ (2,107,677)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	942,008	1,135,630
(Gain) loss on sale/disposal of property and equipment	(5,725)	144,940
Net realized and unrealized gains on investments and assets limited as to use	(56,799)	(59,413)
Change in value of beneficial interest in assets held by others	(8,875)	(24,293)
Changes in operating assets and liabilities:		
Accounts receivable	4,506,226	(8,404,576)
Prepaid expenses	(168,997)	(107,196)
Gifted facilities	(5,183,545)	1,683,861
Other assets	(27,071)	(3,080)
Accounts payable	3,886,296	4,679,155
Accrued salaries and payroll related expenses	541,131	(217,924)
Other accrued expenses	(1,284,197)	(21,312)
Deferred revenue	4,328,200	1,688,372
Net cash provided by (used in) operating activities	12,673,540	(1,613,513)
Cash flows from investing activities:		
Purchases of investments and assets limited as to use	(444,924)	(1,497,356)
Proceeds from the sale of investments	253,906	1,449,538
Purchases of property and equipment	(365,914)	(287,923)
Proceeds from the sale of property and equipment	28,800	31,985
Net cash used in investing activities	(528,132)	(303,756)
Cash flows from financing activities:		
Borrowings on line of credit	-	4,500,000
Repayments of line of credit	(600,019)	(4,012,393)
Principal payments on capital lease obligations	(342,830)	(321,035)
Net cash (used in) provided by financing activities	(942,849)	166,572
Net increase (decrease) in cash and cash equivalents	11,202,559	(1,750,697)
Cash: and cash equivalents		
Beginning of year	2,972,161	4,722,858
End of year	\$ 14,174,720	\$ 2,972,161
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 329,228	\$ 337,940

See notes to consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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 October 2016, LSF made the decision to exit the operations of the charter school. 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. The results of operations of LSF Charter School 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 school.

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: Provides 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.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of LSF, LSF Health and LSF Charter School (collectively, the Organization). The results of activities 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 transactions have been eliminated in the consolidation.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time, or permanently maintained by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of estimates: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. 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.

Measure of operations: The consolidated statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing social services programmatic activities. Nonoperating activities are limited to discontinued operations.

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 contracts and related accounts receivable. 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 revenues includes concentrations primarily from federal and state programs. 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.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable under grants and funding contracts and program service fees are due in less than one year. Management believes accounts receivable 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 accounts receivable 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 accounts receivable will not be collected.

Gifted facilities: The Organization accounts for gifted facilities as contributions with donor restrictions in the period in which the right to use the asset is acquired, at the fair value of the benefit expected to be received over the expected term of use by the Organization and is released from restrictions when used. A gifted facilities asset 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 and investment income, net: Investments are reported at fair value. Investment income, net, reported in the accompanying consolidated statements of activities, includes realized and unrealized gains and losses and interest and dividend income, net of investment expenses, as increases or decreases in net assets with donor restrictions.

Assets limited as to use: Assets limited as to use include investments held by trustees to fund the Supplemental Executive Retirement Plan (SERP) as more fully described in Note 13.

Property and equipment: Property and equipment are recorded at cost, if purchased or at estimated fair 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 using 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 carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups 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 or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the years ended June 30, 2019 and 2018.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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, net assets with donor restrictions are reclassified into net assets without donor restrictions and are reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Donated materials are reflected in the accompanying consolidated financial statements at their estimated fair value at date of receipt. Donated services are recognized and recorded at their estimated fair 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 and expenses in the accompanying consolidated statements of activities and consolidated statements of functional expenses.

Government grants and contracts: A significant portion of the Organization's government grants and contracts 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.

Functional expense allocations: The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

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, 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 follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before June 30, 2016.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

The following methods and assumptions were used to estimate the fair value of 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 6) 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 amounts in the 2018 consolidated financial statements have been reclassified in order to conform with the 2019 consolidated financial statement presentation. These reclassifications had no effect on the previously reported results of operations or cash flows.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the impact this ASU will have on its consolidated financial statements.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Entities should apply the amendments for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

Change in accounting: In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes presentation and disclosure requirements for not-for-profit entities to provide qualitative and quantitative requirements as follows:

- Net assets presentation in two categories – net assets without donor restrictions and net assets with donor restrictions;
- Presentation of investment income net of investment expenses;
- Analysis of expenses by both natural and functional classification;
- Liquidity and availability of resources disclosure requirement;
- Presentation of operating cash flows either direct or indirect method; permits the use of direct method without reconciliation of change in net assets to net cash flows from operating activities.

As the result of ASU 2016-14 adoption, the Organization has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events: Management has assessed subsequent events through December 26, 2019, the date the consolidated financial statements were available to be issued.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 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. The decision to exit the operations of the charter school was based on a comprehensive analysis that took into consideration the benefit provided to the community served by the charter school, as well as LSF's core mission. As a result, the charter school in Belle Glade was closed in July 2017. In accordance with Accounting Standards Codification (ASC) 205-20-45, Discontinued Operations, the results of operations subsequent to October 2016 for the charter school is presented as discontinued operations in the accompanying consolidated statements of activities.

The following table summarizes the results of the discontinued activities related to the charter school during the year ended June 30, 2019 and 2018:

	2019	2018
Revenues and support	\$ -	\$ -
Program services expenses	-	153,206
Change in net assets from discontinued operations	-	(153,206)
Loss on disposal of assets from discontinued operations	-	(172,734)
	<u>\$ -</u>	<u>\$ (325,940)</u>

Net cash used in operating activities attributable to discontinued operations was \$325,940 during the year ended June 30, 2018. 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 statements of cash flows for the year ended June 30, 2018.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Investments and Assets Limited as to Use

The fair value of investments and assets limited as to use at June 30, 2019 and 2018, consist of the following:

June 30, 2019	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 54,919	\$ -	\$ -	\$ 54,919
Equity securities:				
Emerging market funds	43,593	-	-	43,593
Small/mid cap funds	42,897	-	-	42,897
Index funds	23,234	-	-	23,234
Large growth funds	196,802	-	-	196,802
Large cap funds	144,728	-	-	144,728
Internationally developed funds	68,530	-	-	68,530
Fixed income securities:				
High yield bond funds	8,516	-	-	8,516
Index bond funds	67,570	-	-	67,570
Corporate bond funds	145,243	-	-	145,243
Government bond funds	112,903	-	-	112,903
Real asset funds	46,497	-	-	46,497
Total investments	955,432	-	-	955,432
Assets limited as to use:				
Money market funds	17,475	-	-	17,475
Equity securities:				
Large blend funds	149,109	-	-	149,109
Emerging market funds	119,815	-	-	119,815
Index funds	30,712	-	-	30,712
Fixed income securities:				
Index bond funds	20,965	-	-	20,965
Short duration funds	47,270	-	-	47,270
Global bond funds	50,710	-	-	50,710
Intermediate term bond funds	49,684	-	-	49,684
Total assets limited as to use	485,740	-	-	485,740
Beneficial interest in:				
Assets held by others	-	148,370	-	148,370
Perpetual trust	-	-	701,648	701,648
Total beneficial interest in assets held by others	-	148,370	701,648	850,018
	\$ 1,441,172	\$ 148,370	\$ 701,648	\$ 2,291,190

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Investments and Assets Limited as to Use (Continued)

June 30, 2018	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 34,631	\$ -	\$ -	\$ 34,631
Equity securities:				
Emerging market funds	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 funds	111,540	-	-	111,540
Fixed income securities:				
High yield bond funds	15,931	-	-	15,931
Index bond funds	72,694	-	-	72,694
Corporate bond funds	121,444	-	-	121,444
Government bond funds	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 blend funds	85,332	-	-	85,332
Emerging market funds	68,141	-	-	68,141
Index funds	18,730	-	-	18,730
Fixed income securities:				
Index bond funds	11,789	-	-	11,789
Short duration funds	28,703	-	-	28,703
Global bond funds	31,021	-	-	31,021
Intermediate term bond funds	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

Note 3. Investments and Assets Limited as to Use (Continued)

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

	2019	2018
Beginning balance	\$ 689,546	\$ 667,648
Interest and dividends	21,145	15,680
Net realized and unrealized gains	21,599	25,640
Distributions and fees	(30,642)	(19,422)
Ending balance	<u>\$ 701,648</u>	<u>\$ 689,546</u>

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 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 12).

Note 4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2019 and 2018:

	2019	2018
Managing entity contract	\$ 11,113,212	\$ 16,957,185
Other grants and funding sources	9,535,336	8,227,406
Program fees and other, net of allowance for doubtful accounts of \$24,555 in 2019 and \$154,098 in 2018	495,034	465,217
	<u>\$ 21,143,582</u>	<u>\$ 25,649,808</u>

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	Estimated Useful Lives (Years)	2019	2018
Land	N/A	\$ 1,735,899	\$ 1,735,899
Buildings and improvements	35	3,229,159	3,172,414
Vehicles	3-5	1,301,197	1,531,363
Leasehold improvements	5	5,503,123	5,396,029
Computer equipment and software	3-5	750,219	648,862
Furniture and equipment	2-5	1,493,915	1,412,697
		<u>14,013,512</u>	<u>13,897,264</u>
Less accumulated depreciation and amortization		<u>(7,930,630)</u>	<u>(7,215,213)</u>
		<u>\$ 6,082,882</u>	<u>\$ 6,682,051</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$942,008 and \$1,135,630, respectively, of which \$19,877, is included in the net loss from discontinued operations in the accompanying consolidated statements of activities.

Note 6. 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, Inc. has variance power over the funds and the Community Foundation of Tampa Bay, Inc. 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 by others are recorded as change in value of beneficial interest in assets held by others in the accompanying consolidated statements of activities.

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

	2019	2018
Beneficial interest in assets held by others:		
Community Foundation of Broward, Inc.	\$ 141,886	\$ 145,074
Community Foundation of Tampa Bay, Inc.	6,484	6,523
	<u>148,370</u>	<u>151,597</u>
Beneficial interest in perpetual trust:		
Charles A. Zerbst Trust	701,648	689,546
	<u>\$ 850,018</u>	<u>\$ 841,143</u>

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. 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 contributions with donor restrictions and are released from restrictions as rent expense is recorded. Activity of the gifted facilities during the years ended June 30, 2019 and 2018, is summarized as follows:

	Pinellas Properties	Duval Properties	Palm Beach Properties	Total
Balance 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)
Balance at June 30, 2018	183,900	236,815	1,295,994	1,716,709
Contributions	1,131,768	263,755	5,162,970	6,558,493
Rent expense	(183,900)	(289,269)	(901,779)	(1,374,948)
Balance at June 30, 2019	1,131,768	211,301	5,557,185	6,900,254
Less current portion of gifted facilities	241,030	70,603	1,175,809	1,487,442
Gifted facilities, less current portion	\$ 890,738	\$ 140,698	\$ 4,381,376	\$ 5,412,812

Note 8. Accounts Payable

Accounts payable consists of the following at June 30, 2019 and 2018:

	2019	2018
Managing entity contract	\$ 16,400,764	\$ 10,206,691
Trade	3,440,956	5,748,733
	\$ 19,841,720	\$ 15,955,424

Note 9. 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 the lenders cost of funds, which is the weighted average annual rate of interest plus 3% (4.88% at June 30, 2019). 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 the Coordinated Childcare Food Program) and requires the Organization to meet certain covenants. At June 30, 2019, the Organization was in compliance with these restrictive covenants. The line of credit matures on March 4, 2020. The outstanding balance on the revolving line of credit at June 30, 2019 and 2018 was \$2,765,842 and \$3,365,861, respectively.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Line of Credit (Continued)

In September 2019, the Organization entered into a 10 year promissory note with Lutheran Church Extension Fund-Missouri Synod in the amount of \$2,750,000, with a maturity date of September 20, 2029. The proceeds from the promissory note were used to pay off the line of credit. The promissory note calls for monthly principal and interest payments of \$29,675, with a fixed interest rate of 5.375% for the first 60 months. Beginning with the 61st monthly payment, the interest rate will be adjusted based on the lenders cost of funds plus 3% for the remaining 60 months. The monthly principal and interest payment will be adjusted accordingly.

Also, in September 2019, the Organization entered into a modification agreement with Lutheran Church Extension Fund-Missouri Synod to reduce the maximum availability on the revolving line of credit from \$10,000,000 to \$7,250,000.

Note 10. 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, 2019, the gross amount of facilities and related accumulated amortization recorded under capital leases was \$4,005,115 and \$1,778,820, respectively. 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. Amortization of assets held under capital leases is included in depreciation and amortization expense. Future minimum payments under capital lease obligations at June 30, 2019 are as follows:

Years ending June 30:

2020	\$	504,862
2021		504,862
2022		504,862
2023		441,982
2024		173,400
Thereafter		606,900
Total minimum capital lease payments		<u>2,736,868</u>
Less amount representing interest		<u>510,572</u>
Present value of capital lease payments		2,226,296
Less current portion of capital lease obligations		366,124
Capital lease obligations, less current portion		<u><u>\$ 1,860,172</u></u>

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 in the accompanying consolidated statements of financial position. Rental expense on operating leases was approximately \$2,471,000 in fiscal 2019 and \$2,465,000 in fiscal 2018. The majority of the Organization's operating leases include 30 day cancellation provisions in the event the Organization loses its funding.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Leases (Continued)

Future minimum lease payments under non-cancellable operating leases (with initial or remaining terms in excess of one year) as of June 30, 2019, are as follows:

Years ending June 30:

2020	\$ 1,591,370
2021	1,141,508
2022	1,070,994
2023	1,003,486
2024	823,393
Thereafter	1,055,730
	<u>\$ 6,686,481</u>

Note 11. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Undesignated	\$ 918,376	\$ 789,323
Board designated for specified purposes	955,432	893,038
	<u>\$ 1,873,808</u>	<u>\$ 1,682,361</u>

The Board of Directors of LSF established a board designated endowment to be used to support operations which was \$955,432 and \$893,038 as of June 30, 2019 and 2018, respectively (see Note 12).

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Restricted for specified purposes:		
Facilities and equipment subject to time restrictions	\$ 2,181,357	\$ 2,328,328
Gifted facilities	6,900,254	1,716,709
Employee tuition reimbursement	38,999	51,557
Other	78,494	89,069
	<u>9,199,104</u>	<u>4,185,663</u>
Restricted in perpetuity – endowment:		
Broward County program endowment	138,526	138,526
Tampa Bay program endowment	10,000	10,000
Zerbst Trust endowment	627,444	627,444
	<u>775,970</u>	<u>775,970</u>
	<u>\$ 9,975,074</u>	<u>\$ 4,961,633</u>

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Net Assets (Continued)

Net assets with donor restrictions that were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors are as follows:

	2019	2018
Facilities and equipment subject to time restrictions	\$ 327,282	\$ 450,640
Rent expense from gifted facilities	1,374,948	1,805,996
Employee tuition reimbursement	12,558	16,391
Other	53,319	500
	<u>\$ 1,768,107</u>	<u>\$ 2,273,527</u>

Note 12. Endowment Funds

LSF has a board-designated endowment fund included in net assets without donor restrictions 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 net assets with donor restrictions 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 net assets without donor restrictions.

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 net assets with donor restrictions: (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.

Spending policy: The Organization has a policy limiting the spending of its permanent endowment funds to interest income that may be withdrawn for use in the county where the endowments are based.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Endowment Funds (Continued)

Endowment net asset composition by type of fund are as follows at June 30, 2019 and 2018:

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment	\$ 955,432	\$ -	\$ 955,432
Broward County program endowment	-	138,526	138,526
Tampa Bay program endowment	-	10,000	10,000
Zerbst Trust endowment	74,204	627,444	701,648
	\$ 1,029,636	\$ 775,970	\$ 1,805,606

June 30, 2018	Without Donor Restrictions	With Donor Restrictions	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

Changes in endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Balances at June 30, 2017	\$ 878,216	\$ 775,970	\$ 1,654,186
Board designations	10,614	-	10,614
Investment income, net	66,310	-	66,310
Balances at June 30, 2018	955,140	775,970	1,731,110
Board designations	6,770	-	6,770
Investment income, net	67,726	-	67,726
Balances at June 30, 2019	\$ 1,029,636	\$ 775,970	\$ 1,805,606

Note 13. 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 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.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Retirement Plans (Continued)

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 vest after one year of service.

Employer contributions to the 403(b) and 457(b) plans for the years ended June 30, 2019 and 2018, were approximately \$687,000 and \$564,000, respectively.

The Organization also sponsors a 457(f) employee benefit plan or 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. Plan participants' rights to employer contributions vest at varying intervals between July 1, 2019 and September 1, 2027. For the years ended June 30, 2019 and 2018, the Organization incurred expenses under the SERP of approximately \$207,000 and \$212,000, respectively. At June 30, 2019 and 2018, the Organization has \$485,740 and \$300,317, 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.

Note 14. 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, no material liability exists with respect to these claims.

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, 2019. 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, 2019 and 2018, accrued estimated health insurance expense under the Plan was approximately \$635,000 and \$514,000, respectively, and is included in accrued salaries and payroll related expenses in the accompanying consolidated statements of financial position. Estimated health insurance expense was approximately \$7,573,000 and \$6,614,000, respectively, for the years then ended, which is included in payroll taxes and employee benefits in both program services and supporting services in the accompanying consolidated statements of activities. Actual claims expense may differ from these estimates. At June 30, 2019 and 2018, the Organization had \$586,635 and \$386,413, respectively, of funds included in cash and cash equivalents to pay outstanding claims.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. In-Kind Contributions

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

	2019	2018
Professional services	\$ 724,507	\$ 770,232
Food, clothing and household items	4,333,299	3,380,231
	<u>\$ 5,057,806</u>	<u>\$ 4,150,463</u>

Donated services for the years ended June 30, 2019 and 2018, with estimated fair values of approximately \$4,653,000 and \$2,982,000, respectively, were not recognized in the accompanying 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.

Note 16. 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, 2019 and 2018.

Note 17. Liquidity and Availability of Resources

As of June 30, 2019, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions and board designations within one year of June 30, 2019.

Financial assets, at year-end	
Cash and cash equivalents	\$ 14,174,720
Accounts receivable, net	21,143,582
Investments	955,432
Gifted facilities	6,900,254
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donors with purpose restrictions	(2,904,366)
Restricted by donors with use restrictions	(6,900,254)
Board designations:	
Board designated for specified purposes	(955,432)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 32,413,936</u>

Over 95% of the Organization's annual revenue is comprised of cost reimbursement or pass through contracts. Therefore, there is little ability to generate surplus revenue and maintain large cash balances. As such, the Organization relies on contract advances and prompt funder reimbursements to maintain liquidity. The Organization also maintains a \$7,500,000 line of credit available to meet cash flow needs if necessary.

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. 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 cash equivalents, 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:

	2019	2018
Cash and cash equivalents	\$ 4,710,428	\$ 3,781,081
Investments in fixed income and equity securities	7,182,231	11,263,918
Real property	3,014,705	3,162,108
Cash surrender value of life insurance and other annuities	3,550,248	3,894,875
Other	662,813	744,357
	<u>\$ 19,120,425</u>	<u>\$ 22,846,339</u>

For the years ended June 30, 2019 and 2018, program service fees earned under the guardianship program were approximately \$803,000 and \$789,000, respectively, and are included in program services fees in the accompanying consolidated statements of activities.

Note 19. Contract with Duval County Staff

The Organization's Head Start program in Duval County includes certain personnel that are employed by the Organization under a collective bargaining agreement. The collective bargaining agreement is effective through January 31, 2022.

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Lutheran Services Florida, Inc.

Our audit of the consolidated financial statements included in the preceding section of this report was 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.

RSM US LLP

Orlando, Florida
December 26, 2019

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Government Grants and Contracts
Year Ended June 30, 2019**

Direct federal funding:

U.S. Department of Health and Human Services	<u>\$ 56,323,265</u>
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Pass-through awards of federal and state funding:

State of Florida Department of Children and Families	139,850,390
State of Florida Department of Health	9,115,191
Children's Network of Southwest Florida, LLC	6,117,657
Eckerd Connects, Community Alternatives	5,009,508
Florida Network of Youth and Family Services, Inc.	4,857,691
ChildNet, Inc.	712,362
Lutheran Immigration and Refugee Services	1,239,555
Voluntary Pre-Kindergarten	2,561,443
South Florida Workforce Investment Board	1,686,889
Hillsborough County, State of Florida	1,540,819
State of Florida Department of Elder Affairs	381,217
Lakeview Center, Inc.	177,849
State of Florida Office of Attorney General	249,164
U.S. Committee for Refugees and Immigrants	125,679
Florida Council for Community Mental Health	58,234
Lee County, State of Florida	46,303
National Children's Alliance	102,000
University of Illinois	120,952
Florida Association of Healthy Start Coalitions, Inc.	326,377
Northeast Florida Health Start Coalition	7,500
	<u>174,286,780</u>

Local and other grants and contracts:

Children's Service Council of Palm Beach County	5,660,174
Florida Blue Foundation	445,628
Lee County, State of Florida	295,194
Florida Network of Youth and Family Services, Inc. (DV Respite)	130,275
Santa Rosa County, State of Florida	55,989
Sarasota County, State of Florida	47,002
LIRS – Family Reunification Services	44,000
Southwest Florida Community Foundation	33,369
SMA Behavioral Healthcare	33,198
Broward County Children's Services Administration	9,411
Other	210,870
	<u>6,965,110</u>

Total government grants and contracts

\$ 237,575,155

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part I: Actual Funding Sources and Revenues: Funding Sources and Revenues	State-Designated SAMH Cost Centers								
	State SAMH-Funded Cost Centers								
	AMH/CMH/ASA/CSA								
	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	\$ 196,267	\$ 1,005,055	\$ 4,400,811	\$ 800,000	\$ 976,524	\$ 16,864,405	\$ 10,453,099	\$ 308,472	\$ 675,914
Contract EH003 – carryover	-	-	-	-	-	-	-	-	-
Total state SAMH funding	196,267	1,005,055	4,400,811	800,000	976,524	16,864,405	10,453,099	308,472	675,914
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) First and second party payments	-	-	-	-	-	-	-	-	-
(2) Third-party payments (except Medicare)	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-
Total funding	\$ 196,267	\$ 1,005,055	\$ 4,400,811	\$ 800,000	\$ 976,524	\$ 16,864,405	\$ 10,453,099	\$ 308,472	\$ 675,914

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part I: Actual Funding Sources and Revenues: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA									
	Drop-In Self-Help Centers	FR – CAT Teams	Florida Assertive Community Treatment		FIT Teams	HIV Services	Incidental Expenses	Indigent Psych		In-Home/ On-Site
			(FACT) Team					Medication Program	Information and Referrals	
IA. State SAMH funding										
Contract EH003	\$ 516,468	\$ 7,565,467	\$ 7,439,795	\$ 2,961,845	\$ 153,231	\$ 1,109,072	\$ 150,978	\$ 1,044,371	\$ 204,538	
Contract EH003 – carryover	-	-	-	-	-	-	-	-	-	-
Total state SAMH funding	516,468	7,565,467	7,439,795	2,961,845	153,231	1,109,072	150,978	1,044,371	204,538	
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) First and second party payments	-	-	-	-	-	-	-	-	-	-
(2) Third-party payments (except Medicare)	-	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-	-
Total funding	\$ 516,468	\$ 7,565,467	\$ 7,439,795	\$ 2,961,845	\$ 153,231	\$ 1,109,072	\$ 150,978	\$ 1,044,371	\$ 204,538	

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part I: Actual Funding Sources and Revenues: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	Inpatient	Intensive Case Management	Medical Services	Mental Health	Methadone Treatment	Multi- Disciplinary Forensic Team	Outreach	PATH	Prevention
				Clubhouse Services				Community Support Services Federal	
IA. State SAMH funding									
Contract EH003	\$ 1,554,237	\$ 284,436	\$ 5,944,866	\$ 688,638	\$ 2,225,196	\$ 652,000	\$ 2,109,393	\$ 889,751	\$ 4,394,852
Contract EH003 – carryover	-	-	-	-	-	-	-	-	-
Total state SAMH funding	1,554,237	284,436	5,944,866	688,638	2,225,196	652,000	2,109,393	889,751	4,394,852
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) First and second party payments	-	-	-	-	-	-	-	-	-
(2) Third-party payments (except Medicare)	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-
Total funding	\$ 1,554,237	\$ 284,436	\$ 5,944,866	\$ 688,638	\$ 2,225,196	\$ 652,000	\$ 2,109,393	\$ 889,751	\$ 4,394,852

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part I: Actual Funding Sources and Revenues: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	Respite Services	SA Detox	Supported Employment	Supported Housing/Living	TASC	Transitional Beds	Intervention	Outpatient	Residential Services
	IA. State SAMH funding								
Contract EH003	\$ 348,201	\$ 5,910,891	\$ 466,220	\$ 392,339	\$ 425,276	\$ 1,622,235	\$ 1,605,266	\$ 6,076,825	\$ 18,341,198
Contract EH003 – carryover	-	-	-	-	-	-	-	-	-
Total state SAMH funding	348,201	5,910,891	466,220	392,339	425,276	1,622,235	1,605,266	6,076,825	18,341,198
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) First and second party payments	-	-	-	-	-	-	-	-	-
(2) Third-party payments (except Medicare)	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-
Total funding	\$ 348,201	\$ 5,910,891	\$ 466,220	\$ 392,339	\$ 425,276	\$ 1,622,235	\$ 1,605,266	\$ 6,076,825	\$ 18,341,198

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part I: Actual Funding Sources and Revenues: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	Room and Board with Supervision	Bnet	Purchased Residential Therapeutic Services	First Episode Psychosis	Fixed Rate Central Receiving Facilities	Recovery Support	SOR - Federal Project Grant	Other Bundled Projects	Total for AMH/CMH/ ASA/CSA
	IA. State SAMH funding								
Contract EH003	\$ 4,049,721	\$ 563,703	\$ 256,193	\$ 450,000	\$ 6,014,201	\$ 148,540	\$ 3,346,048	\$ 3,937,381	\$ 129,523,919
Contract EH003 – carryover	-	-	-	-	-	-	-	-	-
Total state SAMH funding	4,049,721	563,703	256,193	450,000	6,014,201	148,540	3,346,048	3,937,381	129,523,919
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) First and second party payments	-	-	-	-	-	-	-	-	-
(2) Third-party payments (except Medicare)	-	-	-	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	-	-	-	-	-
(5) Other	-	-	-	-	-	-	-	-	-
(6) Refunds	-	-	-	-	-	-	-	-	-
(7) In-kind	-	-	-	-	-	-	-	-	-
Total all other revenues	-	-	-	-	-	-	-	-	-
Total funding	\$ 4,049,721	\$ 563,703	\$ 256,193	\$ 450,000	\$ 6,014,201	\$ 148,540	\$ 3,346,048	\$ 3,937,381	\$ 129,523,919

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part I: Actual Funding Sources and Revenues: 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	\$ 3,810,763	\$ 129,523,919	\$ -	\$ 133,334,682	\$ -	\$ 133,334,682
Contract EH003 – carryover	-	8,200,677	-	8,200,677	-	8,200,677
Total state SAMH funding	3,810,763	137,724,596	-	141,535,359	-	141,535,359
IB. Other government funding						
(1) Other state agency funding	-	-	-	-	8,285,889	8,285,889
(2) Medicaid	-	-	-	-	-	-
(3) Local government	-	-	-	-	6,986,266	6,986,266
(4) Federal grants and contracts	-	-	-	-	87,127,086	87,127,086
(5) In-kind from local government only	-	-	-	-	-	-
Total other government funding	-	-	-	-	102,399,241	102,399,241
IC. All other revenues						
(1) First and second party payments	-	-	-	-	1,144,206	1,144,206
(2) Third-party payments (except Medicare)	-	-	-	-	-	-
(3) Medicare	-	-	-	-	-	-
(4) Contributions and donations	-	-	-	-	7,081,911	7,081,911
(5) Other	-	-	-	-	703,483	703,483
(6) Refunds	-	-	-	-	-	-
(7) In-kind	-	-	-	-	5,057,806	5,057,806
Total all other revenues	-	-	-	-	13,987,406	13,987,406
Total funding	\$ 3,810,763	\$ 137,724,596	\$ -	\$ 141,535,359	\$ 116,386,647	\$ 257,922,006

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part II: Actual Expenses: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	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	-	-	-	-	-	-	-	-	-
From Northeast Region	196,267	1,005,055	4,400,811	800,000	976,524	16,864,405	10,453,099	308,472	675,914
(8) Insurance	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	196,267	1,005,055	4,400,811	800,000	976,524	16,864,405	10,453,099	308,472	675,914
Total personnel and other expenses	196,267	1,005,055	4,400,811	800,000	976,524	16,864,405	10,453,099	308,472	675,914
IIC. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-
Total actual operating expenses	196,267	1,005,055	4,400,811	800,000	976,524	16,864,405	10,453,099	308,472	675,914
IID. Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 196,267	\$ 1,005,055	\$ 4,400,811	\$ 800,000	\$ 976,524	\$ 16,864,405	\$ 10,453,099	\$ 308,472	\$ 675,914
IIIE. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part II: Actual Expenses: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA									
	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 Referrals	In-Home/ On-Site	
I.A. Personnel Expenses										
(1) Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Fringe benefits	-	-	-	-	-	-	-	-	-	-
Total personnel expenses	-	-	-	-	-	-	-	-	-	-
I.B. Other expenses										
(1) Building occupancy	-	-	-	-	-	-	-	-	-	-
(2) Professional services	-	-	-	-	-	-	-	-	-	-
(3) Travel	-	-	-	-	-	-	-	-	-	-
(4) Equipment	-	-	-	-	-	-	-	-	-	-
(5) Food services	-	-	-	-	-	-	-	-	-	-
(6) Medical and pharmacy	-	-	-	-	-	-	-	-	-	-
(7) Subcontracted services	-	-	-	-	-	-	-	-	-	-
From Northeast Region	516,468	7,565,467	7,439,795	2,961,845	153,231	1,109,072	150,978	1,044,371	204,538	
(8) Insurance	-	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-	-
Total other expenses	516,468	7,565,467	7,439,795	2,961,845	153,231	1,109,072	150,978	1,044,371	204,538	
Total personnel and other expenses	516,468	7,565,467	7,439,795	2,961,845	153,231	1,109,072	150,978	1,044,371	204,538	
I.C. Distributed indirect costs										
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-	-
Total actual operating expenses	516,468	7,565,467	7,439,795	2,961,845	153,231	1,109,072	150,978	1,044,371	204,538	
I.D. Unallowable costs	-	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 516,468	\$ 7,565,467	\$ 7,439,795	\$ 2,961,845	\$ 153,231	\$ 1,109,072	\$ 150,978	\$ 1,044,371	\$ 204,538	
I.E. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part II: Actual Expenses: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	Inpatient	Intensive Case Management	Medical Services	Mental Health Clubhouse Services	Methodone Treatment	Multi-Disciplinary Forensic Team	Outreach	PATH Community Support Services Federal	Prevention
I.A. Personnel expenses									
(1) Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Fringe benefits	-	-	-	-	-	-	-	-	-
Total personnel expenses	-	-	-	-	-	-	-	-	-
I.B. Other expenses									
(1) Building occupancy	-	-	-	-	-	-	-	-	-
(2) Professional services	-	-	-	-	-	-	-	-	-
(3) Travel	-	-	-	-	-	-	-	-	-
(4) Equipment	-	-	-	-	-	-	-	-	-
(5) Food services	-	-	-	-	-	-	-	-	-
(6) Medical and pharmacy	-	-	-	-	-	-	-	-	-
(7) Subcontracted services	-	-	-	-	-	-	-	-	-
From Northeast Region	1,554,237	284,436	5,944,866	688,638	2,225,196	652,000	2,109,393	889,751	4,394,852
(8) Insurance	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	1,554,237	284,436	5,944,866	688,638	2,225,196	652,000	2,109,393	889,751	4,394,852
Total personnel and other expenses	1,554,237	284,436	5,944,866	688,638	2,225,196	652,000	2,109,393	889,751	4,394,852
I.C. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-
Total actual operating expenses	1,554,237	284,436	5,944,866	688,638	2,225,196	652,000	2,109,393	889,751	4,394,852
I.D. Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 1,554,237	\$ 284,436	\$ 5,944,866	\$ 688,638	\$ 2,225,196	\$ 652,000	\$ 2,109,393	\$ 889,751	\$ 4,394,852
I.E. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part II: Actual Expenses: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	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	-	-	-	-	-	-	-	-	-
From Northeast Region	348,201	5,910,891	466,220	392,339	425,276	1,622,235	1,605,266	6,076,825	18,341,198
(8) Insurance	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	348,201	5,910,891	466,220	392,339	425,276	1,622,235	1,605,266	6,076,825	18,341,198
Total personnel and other expenses	348,201	5,910,891	466,220	392,339	425,276	1,622,235	1,605,266	6,076,825	18,341,198
IIC. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-
Total actual operating expenses	348,201	5,910,891	466,220	392,339	425,276	1,622,235	1,605,266	6,076,825	18,341,198
IID. Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 348,201	\$ 5,910,891	\$ 466,220	\$ 392,339	\$ 425,276	\$ 1,622,235	\$ 1,605,266	\$ 6,076,825	\$ 18,341,198
III. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part II: Actual Expenses: Funding Sources and Revenues	State-Designated SAMH Cost Centers State SAMH-Funded Cost Centers AMH/CMH/ASA/CSA								
	Room and Board with Supervision	Bnet	Purchased Residential Therapeutic Services	First Episode Psychosis	Fixed Rate Central Receiving Facilities	Recovery Support	SOR- Federal Project Grant	Other Bundled Projects	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	-	-	-	-	-	-	-	-	-
From northeast region	4,049,721	563,703	256,193	450,000	6,014,201	148,540	3,346,048	3,937,381	129,523,919
(8) Insurance	-	-	-	-	-	-	-	-	-
(9) Interest paid	-	-	-	-	-	-	-	-	-
(10) Operating supplies and expenses	-	-	-	-	-	-	-	-	-
(11) Other	-	-	-	-	-	-	-	-	-
(12) Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	4,049,721	563,703	256,193	450,000	6,014,201	148,540	3,346,048	3,937,381	129,523,919
Total personnel and other expenses	4,049,721	563,703	256,193	450,000	6,014,201	148,540	3,346,048	3,937,381	129,523,919
IIC. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	-	-	-	-	-	-	-	-	-
Total distributed indirect costs	-	-	-	-	-	-	-	-	-
Total actual operating expenses	4,049,721	563,703	256,193	450,000	6,014,201	148,540	3,346,048	3,937,381	129,523,919
IID. Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	\$ 4,049,721	\$ 563,703	\$ 256,193	\$ 450,000	\$ 6,014,201	\$ 148,540	\$ 3,346,048	\$ 3,937,381	\$ 129,523,919
IIIE. Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lutheran Services Florida, Inc. and Subsidiaries

Schedule of Substance Abuse and Mental Health Services, Program/Cost Center Actual Expenses and Revenues
Budget Period July 1, 2018 through June 30, 2019

Part II: Actual Expenses: Funding Sources and Revenues	ME		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
	Administrative Services	Carryforward							
IIA. Personnel expenses									
(1) Salaries	\$ 2,426,124	\$ -	\$ 2,426,124	\$ -	\$ 2,426,124	\$ 41,505,984	\$ 3,980,857	\$ 40,504	\$ 47,953,469
(2) Fringe benefits	528,320	-	528,320	-	528,320	11,848,839	1,087,282	15,523	13,479,964
Total personnel expenses	2,954,444	-	2,954,444	-	2,954,444	53,354,823	5,068,139	56,027	61,433,433
IIB. Other expenses									
(1) Building occupancy	177,030	-	177,030	-	177,030	5,177,432	437,040	1,822	5,793,324
(2) Professional services	137,894	-	137,894	-	137,894	2,460,301	990,999	131	3,589,325
(3) Travel	139,308	-	139,308	-	139,308	2,019,782	146,327	8,497	2,313,914
(4) Equipment	32,530	-	32,530	-	32,530	2,684,166	324,979	24,355	3,066,030
(5) Food services	-	-	-	-	-	2,620,513	32	-	2,620,545
(6) Medical and pharmacy	-	-	-	-	-	-	-	-	-
(7) Subcontracted services	-	1,759,471	131,283,390	-	131,283,390	22,195,711	-	-	153,479,101
(8) Insurance	13,168	-	13,168	-	13,168	751,538	75,553	154	840,413
(9) Interest paid	-	-	-	-	-	131,779	197,449	-	329,228
(10) Operating supplies and expenses	114,213	-	114,213	-	114,213	7,064,028	165,196	6,993	7,350,430
(11) Other	44,219	-	44,219	-	44,219	286,469	138,400	6,990	476,078
(12) Donated items	-	-	-	-	-	5,065,851	-	-	5,065,851
Total other expenses	658,362	1,759,471	131,941,752	-	131,941,752	50,457,570	2,475,975	48,942	184,924,239
Total personnel and other expenses	3,612,806	1,759,471	134,896,196	-	134,896,196	103,812,393	7,544,114	104,969	246,357,672
IIC. Distributed indirect costs									
(a) Other support costs (optional)	-	-	-	-	-	-	-	-	-
(b) Administration	253,468	-	253,468	-	253,468	7,283,282	(7,544,114)	7,364	-
Total distributed indirect costs	253,468	-	253,468	-	253,468	7,283,282	(7,544,114)	7,364	-
Total actual operating expenses	3,866,274	1,759,471	135,149,664	-	135,149,664	111,095,675	-	112,333	246,357,672
IIID. Unallowable costs	74	-	74	-	74	25,539	-	-	25,613
Total allowable operating expenses	\$ 3,866,200	\$ 1,759,471	\$ 135,149,590	\$ -	\$ 135,149,590	\$ 111,070,136	\$ -	\$ 112,333	\$ 246,332,059
IIE. Capital expenditures	\$ 43,332	\$ -	\$ 43,332	\$ -	\$ 43,332	\$ 201,724	\$ 120,858	\$ -	\$ 365,914

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Substance Abuse and Mental Health Services, Program/Cost
Center Actual Expenses and Revenues
Schedule of State Earnings
Year Ended June 30, 2019**

*This schedule does not apply for the year ended June 30, 2019.

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Substance Abuse and Mental Health Services, Program/Cost
Center Actual Expenses and Revenues
Schedule of Bed-Day Availability Payments
Year Ended June 30, 2019**

*This schedule does not apply for the year ended June 30, 2019.

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Substance Abuse and Mental Health Services, Program/Cost
Center Actual Expenses and Revenues
Schedule of Related Party Transaction Adjustments
Year Ended June 30, 2019**

*This schedule does not apply for the year ended June 30, 2019.

**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***

Independent Auditor's Report

To the Board of Directors
Lutheran Services Florida, Inc.

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 consolidated financial statements of Lutheran Services Florida, Inc. and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, 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 26, 2019.

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.

RSM US LLP

Orlando, Florida
December 26, 2019

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project
and Report on Internal Control Over Compliance Required by The Uniform Guidance
and State of Florida Chapter 10.650, *Rules of the Auditor General***

Independent Auditor's Report

To the Board of Directors
Lutheran Services Florida, Inc.

Report on Compliance for Each Major Federal Program and State Financial Assistance 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 financial assistance projects for the year ended June 30, 2019. The Organization's major federal programs and state financial assistance 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 awards and state financial assistance applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state financial assistance 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 the State of Florida Chapter 10.650, *Rules of the 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 financial assistance 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 financial assistance project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Financial Assistance 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 financial assistance projects for the year ended June 30, 2019.

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 financial assistance 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 financial assistance 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 financial assistance 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 financial assistance 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 financial assistance 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.

RSM US LLP

Orlando, Florida
December 26, 2019

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Provided to Subrecipients	Total Federal 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	\$ -	\$ 4,546,450
	10.558	S-121	-	2,700,736
	10.558	H-3109	-	22,008
	10.558	H-3110	-	15,118
	10.558	H-3654	-	24,878
	10.558	H-3365	-	30,905
Subtotal – U.S. Department of Agriculture			-	7,340,095
U.S. Department of Housing and Urban Development:				
<i>Passed-through from Lee County, State of Florida:</i>				
CDBG - Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants	14.218	8231	-	46,303
<i>Passed-through from Florida Department of Health:</i>				
Housing Opportunities for Persons with AIDS	14.241	CODMB	-	393,227
Subtotal – U.S. Department of Housing and Urban Development			-	439,530
U.S. Department of Justice:				
<i>Passed-through from the State of Florida Office of Attorney General:</i>				
Crime Victim Assistance	16.575	V0CA-2018-LSF-00198	-	249,164
U.S. Department of State:				
<i>Passed-through from Lutheran Immigration and Refugee Services:</i>				
U.S. Refugee Admissions Program	19.510	SPRMC018CA0003	-	125,428
	19.510	SPRMC019CA0030	-	110,113
Subtotal – U.S. Department of State			-	235,541
U.S. Department of Health and Human Services:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SM081468	-	49,688
Mental and Behavioral Health Education and Training Grants	93.732	M01HP31270	-	297,340
Services to Victims of a Severe Form of Trafficking	93.598	90ZV0132	-	131,614
Basic Center Grant	93.623	90CY6957	-	193,665
	93.623	90CY6962	-	117,461
Head Start	93.600	04CH4683-05	-	463,585
	93.600	04CH4683-06	-	795,320
	93.600	04CH4644-06	-	1,255,248
	93.600	04CH010628-01	838,716	6,770,094
	93.600	04CH010628-02	918,064	8,365,129
	93.600	04CH4699-05	4,137,552	12,302,488
	93.600	04CH4699-06	1,181,449	4,057,033
	93.600	04CH4702-05	2,317,933	5,201,830
	93.600	04CH4702-06	7,235,268	14,731,230
	93.600	04HP0018-03	43,897	165,798
	93.600	04HP0018-04	731,907	1,425,742
<i>Passed-through from Hillsborough County, State of Florida:</i>				
Head Start	93.600	04CH4768	243,900	392,362
	93.600	04CH4768-203	746,016	1,148,457
<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-FY1819	-	326,377
<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

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Provided to Subrecipients	Total Federal Expenditures
<i>Passed-through from State of Florida Department of Children and Families:</i>				
Refugee and Entrant Assistance – State Administered Programs	93.566	XK055	-	331,232
	93.566	LK172	-	45,604
	93.566	LK203	-	199,248
	93.566	LK183	-	1,260,276
	93.566	LK188	-	468,817
	93.566	LK191	-	1,720,070
Refugee and Entrant Assistance – Targeted Assistance Grants	93.584	LK172	-	21,441
	93.584	LK183	-	184,245
	93.584	LK191	-	184,004
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) Projects for Assistance in Transition from Homelessness (PATH)	93.104	EH003	460,973	477,463
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.150	EH003	889,751	889,751
TANF Cluster*: Temporary Assistance for Needy Families	93.243	EH003	41,850	41,850
Children's Health Insurance Program	93.558	EH003	2,140,008	2,260,990
Medicaid Cluster: Medical Assistance Program	93.767	EH003	539,858	672,946
State Targeted Response to the Opioid Crisis Grants	93.778	EH003	1,319,883	1,334,566
Block Grants for Community Mental Health Services	93.788	EH003	4,249,605	7,091,357
Block Grants for Prevention and Treatment of Substance Abuse	93.958	EH003	6,365,641	7,840,512
	93.959	EH003	20,928,186	21,692,555
<i>Passed-through from State of Florida Department of Health:</i>				
HIV Care Formula Grants	93.917	CODLS	783,005	1,349,754
<i>Passed-through from Lutheran Immigration and Refugee Services:</i>				
Refugee and Entrant Assistance – Voluntary Agency Programs	93.567	1902MDRVMG/342-19-FL	-	519,251
Refugee and Entrant Assistance – Discretionary Grants	93.576	90RP0113-03	-	6,559
Unaccompanied Alien Children Program	93.676	90ZU0223-02	-	101,513
	93.676	90ZU0223-03	-	101,885
	93.676	90ZU0172-02	-	156,298
	93.676	90ZU0172-03	-	118,508
<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	-	46,083
	93.658	Northwest	-	41,492

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Provided to Subrecipients	Total Federal Expenditures
<i>Passed-through from Eckerd Connects, Community Alternatives:</i>				
Promoting Safe and Stable Families	93.556	ECA-C6-CMO-LSF-FY19	-	19,638
TANF Cluster*: Temporary Assistance for Needy Families	93.558	ECA-C6-CMO-LSF-FY19	-	357,357
Stephanie Tubbs Jones Child Welfare Services Program	93.645	ECA-C6-CMO-LSF-FY19	-	195,095
Foster Care – Title IV-E	93.658	ECA-C6-CMO-LSF-FY19	-	1,657,326
Adoption Assistance	93.659	ECA-C6-CMO-LSF-FY19	-	337,472
<i>Passed-through from Children's Network of Southwest Florida, LLC:</i>				
Promoting Safe and Stable Families	93.556	ABK01	-	71,927
TANF Cluster*: Temporary Assistance for Needy Families	93.558	ABK01	-	668,917
Grants to States for Access and Visitation Programs	93.597	ABK01	-	24,218
Stephanie Tubbs Jones Child Welfare Services Program	93.645	ABK01	-	207,773
Foster Care – Title IV-E	93.658	ABK01	-	1,509,484
	93.658	WAL01	-	60,870
Adoption Assistance	93.659	ABK01	-	430,705
Social Services Block Grant	93.667	WAL01	-	45,103
<i>Passed-through from Childnet, Inc:</i>				
Foster Care - Title IV-E	93.658	LSF18RGC	-	170,832
	93.658	LSF18RGC2	-	47,518
Social Services Block Grant	93.667	LSF18RGC	-	119,955
	93.667	LSF18RGC2	-	33,366
<i>Passed-through from South Florida Workforce Investment Board:</i>				
Refugee and Entrant Assistance – State Administered Programs	93.566	RET-DP-PY18-08-01	-	1,159,434
	93.566	RET-DP-PY18-08-01	-	344,259
Refugee and Entrant Assistance – Targeted Assistance Grants	93.584	RET-DP-PY19-09-00	-	141,255
	93.584	RET-DP-PY19-09-00	-	41,941
<i>Passed-through from The Florida Council for Community Mental Health:</i>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	U79SM061748	11,518	58,234
<i>Passed-through from The University of Illinois:</i>				
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	90RT5038	-	120,952
<i>Passed-through from Lakeview Center, Inc.:</i>				
Foster Care – Title IV-E	93.658	C-010-101	-	50,089
Social Services Block Grant	93.667	C-010-101	-	35,777
Block Grants for Community Mental Health Services	93.958	C-010-200	-	34,739
<i>Passed-through from U.S. Committee For Refugees and Immigrants:</i>				
Block Grants for Community Mental Health Services	93.958	90ZV0123	-	125,679
Subtotal – U.S. Department of Health and Human Services			56,124,979	115,457,463
Total expenditures of federal awards			56,124,979	123,721,793

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

State Grantor/Pass-Through Grantor/Program Title	State CSFA Number	Contract/Grant Number	Provided to Subrecipients	Total State Expenditures
State Courts System:				
<i>Passed-through from Gulf Coast Kid's House:</i>				
Florida Network of Children Advocacy Centers	22.016	N/A	-	102,000
Department of Children and Families:				
Forensic Services and Competency Restoration Training	60.114	EH003	652,000	652,000
Substance Abuse and Mental Health – Crisis Prevention and Stabilization Services	60.155	EH003	2,219,154	2,898,966
Centralized Receiving systems	60.163	EH003	6,331,808	7,182,471
ME - Mental Health State Funded For Profit Subrecipients	60.184	EH003	348,453	348,453
Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant Program	60.115	LHZ76	17,824	215,493
	60.115	LH771	-	44,046
<i>Passed-through from Childnet, Inc.:</i>				
Out-Of-Home Supports	60.074	LSF18RGC	-	88,914
<i>Passed-through from Eckerd Connects, Community Alternatives:</i>				
In-Home Supports	60.075	ECA-C6-CMO-LSF-FY19	-	3,727
<i>Passed-through from Children's Network of Southwest Florida, LLC:</i>				
CBC - Purchase of Therapeutic Services for Children	60.183	WBQ01	-	2,970
Subtotal – Department of Children and Families			9,569,239	11,437,040
Department of Education:				
<i>Passed-through from Early Learning Coalition of Pinellas County, Inc.:</i>				
Voluntary Pre-Kindergarten Education Program	48.108	N/A	-	1,045,610
<i>Passed-through from Early Learning Coalition of Palm Beach County, Inc.:</i>				
Voluntary Pre-Kindergarten Education Program	48.108	N/A	-	898,918
<i>Passed-through from the Early Learning Coalition of Duval, Inc.:</i>				
Voluntary Pre-Kindergarten Education Program	48.108	N/A	-	616,915
Subtotal – Department of Education			-	2,561,443
Department of Health:				
Medical Services for Abused and Neglected Children	64.006	CSPAN	-	32,116
Department of Elder Affairs:				
Public Guardianship	65.003	X9208.A1	-	120,988
	65.003	X9238.A1	-	260,229
Subtotal – Department of Elder Affairs			-	381,217

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

State Grantor/Pass-Through Grantor/Program Title	State CSFA Number	Contract/Grant Number	Provided to Subrecipients	Total State Expenditures
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	Southeast	-	1,174,025
	80.005	Southwest	-	1,767,789
	80.005	Northwest	-	1,796,984
Subtotal – Department of Juvenile Justice			-	4,738,798
Total expenditures of state financial assistance			9,569,239	19,252,614
Total expenditures of federal awards and state financial assistance			\$ 65,694,218	\$ 142,974,407

See notes to schedule of expenditures of federal awards and state financial assistance.

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

Lutheran Services Florida, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state financial assistance project 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, 2019. The information in this 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 the State of Florida Chapter 10.650, *Rules of the 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.

Note 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 and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Note 4. Other

The accompanying Schedule presents federal expenditures and state financial assistance by pass-through agency. Expenditures of certain federal programs and state financial assistance 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 financial assistance project are summarized on pages 54-55.

Lutheran Services Florida, Inc. and Subsidiaries

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

CFDA No.	Federal Program	Federal Expenditures
10.558	Child and Adult Care Food Program	\$ 7,340,095
14.218	CDBG – Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants	46,303
14.241	Housing Opportunities for Persons with AIDS	393,227
16.575	Crime Victim Assistance	249,164
19.510	U.S. Refugee Admissions Program	235,541
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)	477,463
93.150	Projects for Assistance in Transition from Homelessness (PATH)	889,751
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	149,772
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	120,952
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	326,377
93.556	Promoting Safe and Stable Families	91,565
93.558	TANF Cluster: Temporary Assistance for Needy Families	3,287,264
93.566	Refugee and Entrant Assistance – State Administered Programs	5,528,940
93.567	Refugee and Entrant Assistance – Voluntary Agency Programs	519,251
93.576	Refugee and Entrant Assistance – Discretionary Grants	6,559
93.584	Refugee and Entrant Assistance – Targeted Assistance Grants	572,886
93.597	Grants to States for Access and Visitation Programs	24,218
93.598	Services to Victims of a Severe Form of Trafficking	131,614
93.600	Head Start	57,074,316
93.623	Basic Center Grant	311,126
93.645	Stephanie Tubbs Jones Child Welfare Services Program	402,868
93.658	Foster Care – Title IV-E	3,615,011
93.659	Adoption Assistance	768,177
93.667	Social Services Block Grant	234,201
93.676	Unaccompanied Alien Children Program	478,204
93.732	Mental and Behavioral Health Education and Training Grants	297,340
93.767	Children's Health Insurance Program	672,946
93.778	Medicaid Cluster: Medical Assistance Program	1,334,566
93.788	State Targeted Response to the Opioid Crisis Grants	7,091,357
93.917	HIV Care Formula Grants	1,349,754
93.958	Block Grants for Community Mental Health Services	8,000,930
93.959	Block Grants for Prevention and Treatment of Substance Abuse	21,692,555
	Total expenditures of federal awards	<u><u>\$ 123,721,793</u></u>

Lutheran Services Florida, Inc. and Subsidiaries

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019**

CSFA No.	State Financial Assistance Project	State Expenditures
22.016	Florida Network of Children Advocacy Centers	\$ 102,000
48.108	Voluntary Pre-Kindergarten Education Program	2,561,443
60.074	Out-Of-Home Supports	88,914
60.075	In-Home Supports	3,727
60.114	Forensic Services and Competency Restoration Training	652,000
60.115	Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant Program	259,539
60.155	Substance Abuse and Mental Health – Crisis Prevention and Stabilization Services	2,898,966
60.163	Centralized Receiving Systems	7,182,471
60.183	CBC – Purchase of Therapeutic Services for Children	2,970
60.184	ME – Mental Health State Funded For Profit Subrecipients	348,453
64.006	Medical Services for Abused and Neglected Children	32,116
65.003	Public Guardianship	381,217
80.005	Children and Families in Need of Services (CINS/FINS)	4,738,798
	Total expenditures of state financial assistance	<u><u>\$ 19,252,614</u></u>

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X</u> No	

Federal Awards

Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>		
Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	<u> </u> Yes	<u> X</u> No	

Identification of major federal programs:		<u>Name of Federal Program or Cluster:</u>
<u>CFDA Number(s)</u>		
93.600		Head Start
93.788		State Targeted Response to the Opioid Crisis Grants
93.959		Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u> X</u> Yes <u> </u> No

(Continued)

Lutheran Services Florida, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019**

Section I – Summary of Auditor’s Results (Continued)

State Financial Assistance Projects

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

Unmodified

Internal control over major programs:

Material weakness(es) identified?

<u> </u> Yes	<u> </u> X	No
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Significant deficiency(ies) identified?

<u> </u> Yes	<u> </u> X	None Reported
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Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650?

<u> </u> Yes	<u> </u> X	No
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Identification of major projects:

CSFA Number(s)

Name of State Financial Assistance Project

60.163

Centralized Receiving Systems

80.005

Children and Families in Need of Services

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

\$ 750,000

Section II – Financial Statement Findings

No matters to report.

Section III – Findings and Questioned Costs for Federal Award and State Financial Assistance

No matters to report.

Section IV – Other Reporting

There was no management letter or control deficiency letter issued for the year ended June 30, 2019, as there were no matters required to be reported in these letters.

No Corrective Action Plan is presented because there were no findings required to be reported under the Federal Single Audit Act or the Florida Single Audit Act.

No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings.