Lutheran Family Services of Nebraska, Inc. and Affiliates
Omaha, Nebraska

Consolidated Financial Statements
December 31, 2021, with Comparative Totals for 2020
and Supplementary Information
December 31, 2021

Together with Independent Auditor's Report

Lutheran Family Services of Nebraska, Inc. and Affiliates

Table of Contents

Independent Auditor's Report

To the Board of Directors of
Lutheran Family Services of Nebraska, Inc. and Affiliates
Omaha, Nebraska:

Opinion

We have audited the consolidated financial statements of Lutheran Family Services of Nebraska, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Omaha Church Center, Inc., Lutheran Family Services Foundation, Inc., and LFS 25th Avenue Apartments, LLC were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information in exhibits 1 and 2 and in the schedule of expenditures of federal awards, 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* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 June 30, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Seim Johnson, LLP

Omaha, Nebraska,
June 30, 2022.

Lutheran Family Services of Nebraska, Inc. and Affiliates

Consolidated Statement of Financial Position
December 31, 2021, with Comparative Totals for 2020

		2021	2020
ASSETS			
Current assets:			
Cash and cash equivalents	$	2,648,518	2,235,505
Short-term investments		1,839,931	1,355,286
Receivables -			
Service accounts		672,563	573,092
Pledges		2,806,885	1,984,560
Grants		2,441,762	2,105,578
Other		--	97,598
Prepaid expenses		323,721	221,727
Total current assets		10,733,380	8,573,346
Investment in Josiah Place, Inc.		4,652	4,652
Interest in Fremont Area Community Foundation		1,013,162	925,013
Pledges receivable, less current portion		4,050,000	--
Beneficial interest in perpetual trust		1,161,167	1,029,079
Beneficial interest in charitable remainder trust		182,108	151,947
Assets limited as to use		8,056,403	6,893,110
Property and equipment, net		2,534,601	5,099,553
Total assets	$	27,735,473	22,676,700
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of notes payable	$	54,208	2,796,608
Accounts payable		564,777	626,503
Accrued salaries, wages, vacation and payroll taxes payable		1,445,527	1,274,377
Retirement plan payable		58,580	--
Deferred revenue and refundable advances		64,000	15,376
Total current liabilities		2,187,092	4,712,864
Notes payable, net of current portion		40,657	94,865
Deferred compensation liability		208,425	242,093
Total liabilities		2,436,174	5,049,822
Net assets:			
Without donor restrictions		8,641,258	7,154,867
With donor restrictions		16,658,041	10,472,011
Total net assets		25,299,299	17,626,878
Total liabilities and net assets	$	27,735,473	22,676,700

See notes to consolidated financial statements

Lutheran Family Services of Nebraska, Inc. and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2021, with Comparative Totals for 2020

	2021			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2020**
REVENUE, GAINS AND OTHER SUPPORT:				
Program service revenue	$ 8,282,535	--	8,282,535	8,910,644
Government grants	6,626,058	--	6,626,058	6,853,258
Private grants	1,760,203	105,000	1,865,203	1,822,800
Contributions	2,450,741	7,544,931	9,995,672	6,787,647
United Way	321,223	285,885	607,108	761,730
Investment income, net	708,790	130,267	839,057	597,964
Rental income	124,721	--	124,721	222,219
Other revenue	2,985,132	--	2,985,132	216,165
Gain on disposal of property and equipment, net	346,687	--	346,687	65,299
Change in value of beneficial interest in perpetual trust	--	132,088	132,088	(46,287)
Change in value of beneficial interest in charitable remainder trust	--	30,161	30,161	21,106
Net assets released from restrictions, including United Way of $376,060 in 2021 and $429,315 in 2020	2,042,302	(2,042,302)	--	--
Total revenue, gains and other support	$ 25,648,392	6,186,030	31,834,422	26,212,545

See notes to consolidated financial statements

Lutheran Family Services of Nebraska, Inc. and Affiliates

Consolidated Statement of Activities (Continued)
For the Year Ended December 31, 2021, with Comparative Totals for 2020

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020
Total revenue, gains and other support - forward	$ 25,648,392	6,186,030	31,834,422	26,212,545
EXPENSES:				
Operating expenses -				
Salaries	13,490,980	--	13,490,980	12,011,167
Employee benefits	2,039,778	--	2,039,778	1,716,055
Payroll taxes	950,332	--	950,332	907,688
Total salaries and related expenses	16,481,090	--	16,481,090	14,634,910
Legal and accounting fees	701,943	--	701,943	102,801
Professional fees	2,296,678	--	2,296,678	1,894,392
Foster parent fees	429,154	--	429,154	389,862
Supplies	490,702	--	490,702	347,473
Telephone	358,799	--	358,799	451,023
Postage and shipping	35,658	--	35,658	38,946
Occupancy cost	1,340,837	--	1,340,837	1,208,333
Travel expense	184,666	--	184,666	157,390
Conference expense	54,709	--	54,709	53,400
Assistance to individuals	532,769	--	532,769	2,102,900
Equipment and maintenance	287,056	--	287,056	543,960
Insurance	304,140	--	304,140	219,518
Printing	41,177	--	41,177	131,817
Subscriptions and publications	33,847	--	33,847	33,441
Board expense	13,036	--	13,036	22,258
Organization dues	81,318	--	81,318	147,103
Miscellaneous	105,793	--	105,793	64,984
Grants to other organizations	--	--	--	899,511
Depreciation	388,629	--	388,629	402,797
Total expenses	24,162,001	--	24,162,001	23,846,819
CHANGE IN NET ASSETS	1,486,391	6,186,030	7,672,421	2,365,726
NET ASSETS, beginning of year	7,154,867	10,472,011	17,626,878	15,261,152
NET ASSETS, end of year	$ 8,641,258	16,658,041	25,299,299	17,626,878

See notes to consolidated financial statements

Lutheran Family Services of Nebraska, Inc. and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021, with Comparative Totals for 2020

	Program Services			Support Services					Total Expenses	
	Health & Wellness Services	Community Based Services	Total Program Services	Agency Management	Fund Raising/ Public Relations	Total Support Services	Affiliates	Eliminations	2021	2020
Salaries	$ 6,484,830	3,884,798	10,369,628	2,585,928	528,410	3,114,338	7,014	--	13,490,980	12,011,167
Employee benefits	1,050,674	536,925	1,587,599	337,471	112,550	450,021	2,158	--	2,039,778	1,716,055
Payroll taxes	427,547	256,466	684,013	232,714	33,106	265,820	499	--	950,332	907,688
Total salaries and related expenses	7,963,051	4,678,189	12,641,240	3,156,113	674,066	3,830,179	9,671	--	16,481,090	14,634,910
Legal and accounting fees	7,710	31,259	38,969	662,153	821	662,974	16,501	(16,501)	701,943	102,801
Professional fees	278,340	519,530	797,870	1,035,065	349,742	1,384,807	179,497	(65,496)	2,296,678	1,894,392
Foster parent fees	--	429,154	429,154	--	--	--	--	--	429,154	389,862
Supplies	51,705	326,754	378,459	54,924	53,669	108,593	3,650	--	490,702	347,473
Telephone	125,727	71,246	196,973	153,103	8,048	161,151	675	--	358,799	451,023
Postage and shipping	3,340	7,676	11,016	10,511	14,131	24,642	--	--	35,658	38,946
Occupancy cost	819,538	472,141	1,291,679	349,272	26,251	375,523	82,103	(408,468)	1,340,837	1,208,333
Travel expenses	58,210	91,641	149,851	10,172	24,640	34,812	3	--	184,666	157,390
Conference expense	26,526	12,896	39,422	12,274	3,013	15,287	--	--	54,709	53,400
Assistance to individuals	8,942	523,509	532,451	118	200	318	--	--	532,769	2,102,900
Equipment and maintenance	71,057	67,495	138,552	79,947	6,039	85,986	62,518	--	287,056	543,960
Insurance	149,199	89,830	239,029	19,386	6,834	26,220	71,889	(32,998)	304,140	219,518
Printing	5,347	5,201	10,548	6,401	23,270	29,671	958	--	41,177	131,817
Subscriptions and publications	3,118	14,490	17,608	10,570	5,669	16,239	--	--	33,847	33,441
Board expense	--	--	--	12,726	310	13,036	--	--	13,036	22,258
Organization dues	21,856	2,353	24,209	53,459	3,650	57,109	--	--	81,318	147,103
Miscellaneous	10,499	76,834	87,333	12,681	5,635	18,316	144	--	105,793	64,984
Grants to affiliates and other organizations	--	--	--	--	--	--	326,528	(326,528)	--	899,511
Total expense before depreciation	9,604,165	7,420,198	17,024,363	5,638,875	1,205,988	6,844,863	754,137	(849,991)	23,773,372	23,444,022
Depreciation expense	--	--	--	140,462	--	140,462	248,167	--	388,629	402,797
Total expenses	$ 9,604,165	7,420,198	17,024,363	5,779,337	1,205,988	6,985,325	1,002,304	(849,991)	24,162,001	23,846,819

See notes to consolidated financial statements

Lutheran Family Services of Nebraska, Inc. and Affiliates

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021, with Comparative Totals for 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 7,672,421	2,365,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Paycheck Protection Program loan forgiveness	(2,742,400)	--
Depreciation expense	388,629	402,797
Changes in unrealized gains and losses, net	313,308	(365,254)
Change in interest in Fremont Area Community Foundation	(88,149)	(104,423)
Change in value of beneficial interest in perpetual trust	(132,088)	46,287
Change in value of beneficial interest in charitable remainder trust	(30,161)	(21,106)
Gain on disposal of property and equipment	(346,687)	(65,299)
(Increase) decrease in assets -		
Receivables -		
Service accounts	(99,471)	192,722
Pledges	(4,872,325)	(643,287)
Grants	(336,184)	(843,666)
Other	97,598	73,966
Prepaid expenses	(101,994)	(74,853)
Increase (decrease) in current liabilities -		
Accounts payable	(61,726)	(120,424)
Accrued salaries, wages, vacation and payroll taxes payable	171,150	179,836
Retirement plan payable	58,580	(53,191)
Deferred revenue and refundable advances	48,624	5,985
Net cash provided by (used in) operating activities	(60,875)	975,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment, net	2,548,266	--
Purchase of property and equipment, net	(25,256)	(310,543)
Insurance proceeds for property and equipment	--	65,872
Deposits to short-term investments, net	(797,953)	(518,878)
(Deposits to) withdrawals from assets limited to use, net	(2,525,074)	236
Net cash used in investing activities	(800,017)	(763,313)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	--	2,742,400
Payments on notes payable	(54,208)	(13,177)
Proceeds from line of credit	1,050,000	--
Payments on line of credit	(1,050,000)	--
Net cash provided by (used in) financing activities	(54,208)	2,729,223
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(915,100)	2,941,726
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of year	5,939,951	2,998,225
End of year	$ 5,024,851	5,939,951
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Paycheck Protection Program loan forgiveness	$ 2,742,400	--
Property and equipment acquired under financing agreement	$ --	162,250

See notes to consolidated financial statements

(1) Description of Organization and Principles of Consolidation

The financial statements include the accounts of Lutheran Family Services of Nebraska, Inc. and its affiliates (the Organization). These affiliates are Omaha Church Center, Inc., Lutheran Family Services Foundation, Inc., and LFS 25th Avenue Apartments, LLC. Lutheran Family Services of Nebraska, Inc. is the sole voting member of Lutheran Family Services Foundation, Inc. and Omaha Church Center, Inc. The LFS 25th Avenue Apartments, LLC is a limited liability company wholly owned by Lutheran Family Services of Nebraska, Inc. All organizations are organized under the laws of the State of Nebraska. Lutheran Family Services of Nebraska, Inc., Lutheran Family Services Foundation, Inc. and Omaha Church Center, Inc. are also exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Lutheran Family Services of Nebraska, Inc. is a multi-service organization whose purpose is to build and strengthen individual, family and community life across Nebraska. Lutheran Family Services of Nebraska, Inc. offers outpatient services and assistance to individuals through multiple office locations. Many of Lutheran Family Services of Nebraska, Inc. programs are offered on a sliding-fee, "ability to pay" basis. Lutheran Family Services of Nebraska, Inc.'s corporate members are the Evangelical Lutheran Church of America - Nebraska Synod and the Lutheran Church Missouri Synod - Nebraska District.

Omaha Church Center, Inc. provides rental space to Lutheran Family Services of Nebraska, Inc.

Lutheran Family Services Foundation, Inc.'s purpose is to manage and distribute funds, solicited from the statewide Lutheran constituency and the general public, in order to further the services of Lutheran Family Services of Nebraska, Inc. and the operations of Omaha Church Center, Inc.

Lutheran Family Services of Nebraska, Inc. organized LFS 25th Avenue Apartments, LLC in connection with the purchase and operation of an apartment building on its campus. LFS 25th Avenue Apartments, LLC was dissolved in 2021 due to the sale of the building in which it operated (Note 9).

The financial statements include the accounts of these organizations. All intercompany accounts and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization. These policies are in accordance with the accounting principles generally accepted in the United States of America (GAAP).

A. Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with GAAP. Revenue is recognized when earned and expenses are recognized when incurred. Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board. As of December 31, 2021 and 2020, the Organization had Board designated net assets in the amount of $505,019 and $459,307 for specific program purposes.

Net assets with donor restrictions are net assets subject to restrictions imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

B. Industry Environment

The Organization is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursements for services, and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for services previously billed.

Management believes that the Organization is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Organization's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

On March 10, 2020, the World Health Organization declared the coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and may continue to have an adverse impact on the economies and financial markets of many countries. The Organization has experienced volume declines and significant impacts affecting overall operations due to the pandemic. See Note 16 regarding funding received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

C. Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash for purposes of the consolidated statement of cash flows includes investments in highly liquid debt instruments with original maturities of three months or less. Amounts included as restricted cash represent amounts received from donors for specific purposes and amounts designated by the Board of Directors for specific purposes.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

		2021	2020
Cash and cash equivalents	$	2,648,518	2,235,505
Restricted cash, included in assets limited as to use		2,376,333	3,704,446
	$	5,024,851	5,939,951

E. *Service Accounts Receivable*

The Organization reports receivables for services rendered at amounts reflecting consideration to which the Organization expects to be entitled to from individuals and third-party payors. These receivables are unsecured. Payment for services is expected within thirty days of receipt of the billing. The Organization does not charge interest on outstanding amounts owed.

F. *Grants Receivable*

Grants receivable consist primarily of amounts due from local, state, and federal grantor and contracting agencies for amounts expended under grants and contract agreements not yet received by the Organization. All grants receivable are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

G. *Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenue, gains and other support without donor restrictions, unless the income or loss is restricted by donor or law.

H. *Beneficial Interest in Perpetual Trust*

The Organization is a beneficiary of a donor created perpetual trust and annually receives income from this trust. The Organization receives 40% of the trust's net income annually to be used for fulfilling its charitable purpose. The beneficial interest is recognized at fair value and the distribution of income from the trust is reported as investment income in the consolidated statement of activities. Changes in the value of the beneficial interest in the perpetual trust are included separately as changes in net assets with donor restrictions.

I. *Beneficial Interest in Charitable Remainder Trust*

The Organization is the irrevocable, partial beneficiary of a non-perpetual charitable remainder unitrust held by a third-party trustee. The trust was created independently of the Organization and is neither in the possession nor under the control of the Organization. The trust is administered by a third-party trustee as designated by the donor. The Organization recognizes its partial interest in the trust at fair value as measured by the present value of the estimated future distributions to be received by the Organization over the term of the agreement, discounted at the rate commensurate with the risks involved. The value of the beneficial interest in charitable remainder unitrust is adjusted annually for the change in fair value. The change in value is reported separately as changes in net assets with donor restrictions. Upon the termination date specified by the trust, the partial interest in trust assets will be distributed to the Organization by the trustee under the provisions of the trust agreement and the net assets will be reclassified from net assets with donor restrictions to net assets without donor restrictions.

J. Assets Limited as to Use

Assets limited as to use primarily include assets with donor restrictions and designated assets set aside by the Board of Directors for specific purposes, over which the Board retains control and may at its discretion subsequently use for other purposes.

K. Property and Equipment, Net

Property and equipment are reported at cost. Depreciation is provided over the estimated useful lives of each class of depreciable assets and is computed using the straight-line method. The Organization maintains a capitalization policy of $5,000. The useful lives of property and equipment for purposes of computing depreciation are:

Land improvements	7 – 10 Years
Building	5 – 40 Years
Building improvements	7 – 10 Years
Furniture and equipment	3 – 20 Years
Vehicles	2 – 5 Years

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

L. Revenue and Revenue Recognition

Donor Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received or given. Conditional promises to give and indications of intentions to give, that is those with a measurable performance obligation or other barrier, and a right of return, are recognized when the conditions on which they depend have been met. The gifts are reported as donor restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Grant Revenue

Certain grants are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Certain grant funds are classified separately as government grants and private grants in the consolidated statement of activities. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific terms of the grants. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization has recognized refundable advances of $64,000 and $15,376 at December 31, 2021 and 2020, respectively.

Program Service Revenue

Program service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing program services. These amounts are due from individuals and third-party payors (including health insurers and through government programs). Revenue is recognized based upon the provision of services to eligible individuals based upon specific rates identified in contracts and agreements as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the individual.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors.

Generally, individuals who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for individuals with deductibles and coinsurance. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. For the year ended December 31, 2021, no significant adjustments to revenue were recognized due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes to the estimate of the transaction price are recognized as adjustments to medical claims revenue in the period of change.

The Organization has elected the practical expedient and does not adjust the estimated amount of consideration from individuals and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time service is provided to the individual and the time that the individual or third-party payor pays for that service will be one year or less.

M. In-Kind Contributions

The Organization receives donated services, space and other in-kind contributions. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When the value of donated services is ascertainable, they are reflected at fair value in the consolidated statement of activities as revenue and expenses.

N. Advertising

The Organization expenses advertising costs as incurred. At December 31, 2021 and 2020 advertising expense of $24,093 and $99,138, respectively, is included in printing expense in the consolidated statement of activities.

O. Group Health Insurance Costs

The Organization is self-insured under its employee group health program, up to certain limits. Included in the accompanying consolidated statement of activities is a provision for premiums for excess coverage and payments for claims, including estimates of the ultimate costs for both reported claims and claims incurred but not yet reported at year end.

P. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of time and effort. Occupancy costs are allocated on the basis of employee time and effort. Other expenses are allocated based upon time and effort or are directly assigned to a functional classification.

Q. Income Taxes

Lutheran Family Services of Nebraska, Inc., Omaha Church Center, Inc. and Lutheran Family Services Foundation, Inc. are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. All entities have received determination letters that they are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain the Organization's tax-exempt status.

LFS 25th Avenue Apartments, LLC is a limited liability company wholly owned by Lutheran Family Services of Nebraska, Inc. and is a disregarded entity for income tax purposes.

The Organization accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in Financial Accounting Standards Board, Accounting Standards Codification (FASB ASC) Topic 740, *Income Taxes*. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At December 31, 2021 and 2020, the Organization had no uncertain tax positions accrued.

R. Comparative Amounts

The amounts shown for 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021, and are not intended to present all information necessary for a fair presentation of the 2020 financial statements in conformity with accounting principles generally accepted in the United States of America.

S. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. In June 2020, the FASB issued ASU 2020-05 which granted a one year effective date delay applying this guidance. The new standard is now effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires not-for-profit organizations to present gifts in-kind as a separate line item in the consolidated statement of activities and would require additional disclosures related to the nature of the gifts. The new standard is effective for fiscal years beginning after June 15, 2021, and interim periods within those fiscal years beginning after June 15, 2022. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

T. Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 reporting format.

U. Subsequent Events

The Organization considered events occurring through June 30, 2022 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of December 31:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 2,648,518	2,235,505
Short-term investments	1,839,931	1,355,286
Receivables -		
Service accounts	672,563	573,092
Pledges	2,806,885	1,984,560
Grants	2,441,762	2,105,578
Other	--	97,598
Interest in Fremont Area Community Foundation	1,013,162	925,013
Pledges receivable, less current portion	4,050,000	--
Beneficial interest in perpetual trust	1,161,167	1,029,079
Beneficial interest in charitable remainder trust	182,108	151,947
Assets limited as to use	8,056,403	6,893,110
Total financial assets	24,872,499	17,350,768
Less financial assets not available for general expenditure within one year:		
Interest in Fremont Area Community Foundation	1,013,162	925,013
Pledges receivable, less current portion	4,050,000	--
Beneficial interest in perpetual trust	1,161,167	1,029,079
Beneficial interest in charitable remainder trust	182,108	151,947
Assets limited as to use	8,056,403	6,893,110
Total financial assets not available for general expenditure	14,462,840	8,999,149
Financial assets available for general expenditure	$ 10,409,659	8,351,619

The Organization has $505,019 and $459,307 of Board designated funds included in assets limited as to use as of December 31, 2021 and 2020, respectively. Although the Organization does not intend to spend these funds, they could be made available if necessary.

The Organization's endowment funds consist of donor restricted endowments and funds designated by the Board of Directors as endowments. Income from donor restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds are not available for general expenditure. See Note 13 for further information regarding endowments.

As part of the Organization's liquidity management plan, the Organization occasionally invests excess cash balances not immediately needed for operations. The Organization also has one line of credit available to meet short-term needs. See Note 10 for a description of this arrangement.

(4) Pledges Receivable

Pledges receivable as of December 31, 2021 are estimated to be collected as follows:

Within one year	$ 2,806,885
In one to five years	4,050,000
	$ 6,856,885

(5) Investments, Including Assets Limited as to Use

The composition of investments, including assets limited as to use, at December 31, 2021 and 2020 is as follows:

	2021	2020
Short-term investments	$ 1,839,931	1,355,286
Assets limited as to use –		
By donor	$ 7,444,719	6,381,412
By Board	505,019	459,307
Deferred compensation	106,665	52,391
Total assets limited as to use	$ 8,056,403	6,893,110

(6) Fair Value

The Organization applies ASC Topic 820 for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly through either corroboration or observable market data.

Level 3 inputs are inputs that are unobservable for the asset or liability. Therefore, unobservable inputs shall reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Cash and cash equivalents – The fair value of cash and cash equivalents, consisting primarily of money market funds, is classified as Level 1 as these funds are valued using quoted market prices.

Mutual funds – The fair value of mutual funds are classified as Level 1 as the market values based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Corporate stocks – Corporate stocks are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Fixed income securities – Investments in fixed income securities are comprised of corporate bonds and US government securities. Fixed income securities are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Interest in Fremont Area Community Foundation – The interest in Fremont Area Community Foundation is classified as Level 3 as the fair value of the interest is valued based on the Fremont Area Community Foundation's underlying assets which are unobservable to market participants.

Beneficial interest in perpetual trust – The fair value of the beneficial interest in perpetual trust is classified as Level 3 as the beneficial interest is valued based on the trust's underlying assets which are unobservable to market participants and the Organization will never receive the perpetual trust's assets. The underlying assets consist of cash and cash equivalents, domestic and international stocks, corporate and government obligations, and real estate.

Beneficial interest in charitable remainder trust – The valuation of the beneficial interest in charitable remainder trust is classified as Level 3 as the trust valuation is based on assumptions about the present value of distributions to be received from the trust, which generally include the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust discounted for present value using market rates.

For the years ended December 31, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following tables present the financial instruments that are measured at fair value on a recurring basis (including items that are not required to be measured at fair value) at December 31, 2021 and 2020:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, including assets limited as to use presented at fair value:				
Cash and cash equivalents	$ 2,610,406	2,610,406	--	--
Mutual funds -				
Domestic	2,794,656	2,794,656	--	--
International	1,168,127	1,168,127	--	--
Alternatives	476,423	476,423	--	--
Fixed income securities -				
Corporate bonds	1,753,870	--	1,753,870	--
Government securities	914,728	--	914,728	
Interest in Fremont Area Community Foundation	1,013,162	--	--	1,013,162
Beneficial interest in perpetual trust	1,161,167	--	--	1,161,167
Beneficial interest in charitable remainder trust	182,108	--	--	182,108
Total investments at fair value	$ 12,074,647	7,049,612	2,668,598	2,356,437
Investments, including assets limited as to use - other:				
Cash surrender value of life insurance	178,124			
Total investments, including assets limited as to use	$ 12,252,771			

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, including assets limited as to use presented at fair value:				
Cash and cash equivalents	$ 3,815,879	3,815,879	--	--
Mutual funds -				
Domestic	968,777	968,777	--	--
International	346,005	346,005	--	--
Alternatives	363,160	363,160	--	--
Corporate stocks	898,491	898,491	--	--
Fixed income securities -				
Corporate bonds	1,332,647	--	1,332,647	--
Government securities	404,750	--	404,750	--
Interest in Fremont Area Community Foundation	925,013	--	--	925,013
Beneficial interest in perpetual trust	1,029,079	--	--	1,029,079
Beneficial interest in charitable remainder trust	151,947	--	--	151,947
Total investments at fair value	$ 10,235,748	6,392,312	1,737,397	2,106,039
Investments, including assets limited as to use - other:				
Cash surrender value of life insurance	118,687			
Total investments, including assets limited as to use	$ 10,354,435			

Reconciliation of Level 3 assets for the years ended December 31, 2021 and 2020 is as follows:

Balance, December 31, 2019	$	2,026,797
Change in interest in Fremont Area Community Foundation		104,423
Change in value of beneficial interest in perpetual trust		(46,287)
Change in value of beneficial interest in charitable remainder trust		21,106
Balance, December 31, 2020	$	2,106,039
Balance, December 31, 2020	$	2,106,039
Change in interest in Fremont Area Community Foundation		88,149
Change in value of beneficial interest in perpetual trust		132,088
Change in value of beneficial interest in charitable remainder trust		30,161
Balance, December 31, 2021	$	2,356,437

(7) Investment in Josiah Place, Inc.

The Organization is the sponsor of Josiah Place, Inc., a Nebraska not-for-profit Agency. Josiah Place, Inc. was incorporated in December 2004 for the purpose of constructing and operating very low income independent living housing for persons with chronic mental illnesses. The housing project was funded by the U.S. Department of Housing and Urban Development Section 811 capital advance.

(8) Interest in Fremont Area Community Foundation

In 2008, the Organization established an interest in the Fremont Area Community Foundation (FACF) for the purpose of supporting programs and services in the Fremont Area Center for Healthy Families (CHF). Because the Organization does not have the authority to appoint a majority of the Board Members of the FACF, the financial statements do not include the accounts of this organization. All funds held by FACF for the benefit of the CHF, except funds required for administrative fees incurred by the FACF, are to be distributed, or held for the purpose of supporting the programs and services of the CHF, or as required to comply with the purposes specified by donors.

The Organization has recognized its transfers to the FACF and net assets of the FACF restricted for the Organization’s use as an interest in the FACF in the accompanying consolidated statement of financial position. Increases and decreases in the Organization’s interest in FACF relating to investment income and contributions are recognized with investment income, net in the accompanying financial statements.

(9) Property and Equipment, Net

A summary of property and equipment at December 31, 2021 and 2020 is as follows:

		2021	2020
Land and improvements	$	1,075,099	1,274,189
Land held for future use		--	500,000
Building		733,397	2,644,688
Building improvements		3,333,047	3,420,921
Furniture and equipment		2,314,509	2,086,713
Vehicles		37,981	53,271
Construction in progress		--	373,008
		7,494,033	10,352,790
Less accumulated depreciation		4,959,432	5,253,237
	$	2,534,601	5,099,553

Depreciation expense of $388,629 and $402,797 in 2021 and 2020, respectively, is included in the accompanying consolidated statement of activities.

LFS 25th Avenue Apartments

On July 30, 2021, LFS 25th Avenue Apartments, LLC sold the building in which its operations took place. A total gain of $656,632 was reported in the consolidated statement of activities by the Organization upon the disposal of this property. As a result of the sale, LFS 25th Avenue Apartments, LLC was dissolved and ceased operations in 2021.

(10) Line of Credit

The Organization's ongoing financing arrangement consists of a $350,000 revolving bank line of credit with interest at 0.5% below the Wall Street Journal prime rate (3.25% at December 31, 2021) and is payable monthly. There was no outstanding balance on the line of credit at December 31, 2021 and 2020, respectively.

(11) Notes Payable

A summary of notes payable at December 31, 2021 and 2020 is as follows:

		2021	2020
Paycheck Protection Program loan (A)	$	--	2,742,400
Software payment agreement, due in monthly installments of $4,517 through September 2023.		94,865	149,073
		94,865	2,891,473
Less current portion of notes payable		(54,208)	(2,796,608)
Total notes payable, net of current portion	$	40,657	94,865

The aggregate maturities of all notes payable are as follows:

2022	$	54,208
2023		40,657
	$	94,865

(A) The Organization was granted a $2,742,400, 1.0% loan under the Paycheck Protection Program administered by the Small Business Administration (SBA). In June 2021, the Organization received notice from the SBA that the full principal was forgiven. The Organization recognized $2,742,400 of loan forgiveness in other revenue on the consolidated statement of activities.

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2021 and 2020:

		2021	2020
Subject to expenditure for specified purpose:			
Diversity scholarships	$	2,931,141	2,992,291
Refugee services		1,551,710	734,304
24th Street Campus		1,141,582	1,141,582
Fremont Area Center for Healthy Families		498,537	456,104
Destination Care campaign		425,000	--
Veterans services		391,513	391,513
Heinrichs education, leadership, and development		72,174	72,174
Behavioral Health Services		46,276	55,509
Children services		37,811	37,811
COVID-19 response		--	63,000
		7,095,744	5,944,288
Subject to the passage of time:			
Pledges receivable for future general program services		6,560,000	1,587,500
United Ways allocations for program services		285,885	376,060
Grace Hansen Children's Fund charitable trust		182,108	151,947
Pledges receivable for capital projects		11,000	21,000
		7,038,993	2,136,507
Perpetual in nature:			
Beneficial interest in perpetual trust		1,161,167	1,029,079
Support of Refugee Services programs		500,000	500,000
Support of general operations		485,327	485,327
Fremont Area Center for Healthy Families		361,729	361,729
Henrichs Education, Leadership and Development		15,081	15,081
		2,523,304	2,391,216
	$	16,658,041	10,472,011

(13) Endowments

The Organization's endowment funds consist of donor restricted endowment funds and funds designated by the governing board to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the Organization has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the organization in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The change in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

		2021	
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 289,633	5,046,861	5,336,494
Investment return:			
Interest and dividends, net	29,755	39,802	69,557
Net appreciation (realized and unrealized)	15,956	127,206	143,162
Total investment return	45,711	167,008	212,719
Appropriations of endowment assets for expenditure	--	(122,278)	(122,278)
Endowment net assets, end of year	$ 335,344	5,091,591	5,426,935

		2020	
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 253,286	1,970,621	2,223,907
Investment return:			
Interest and dividends, net	15,706	19,890	35,596
Net appreciation (realized and unrealized)	20,641	64,346	84,987
Total investment return	36,347	84,236	120,583
Contributions	--	3,000,000	3,000,000
Appropriations of endowment assets for expenditure	--	(7,996)	(7,996)
Endowment net assets, end of year	$ 289,633	5,046,861	5,336,494

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy, as approved by the Board, the endowment assets are invested in a manner that maximizes total returns over long periods of time primarily through capital appreciation. A minimum of 30% of endowment assets are to be invested in cash, cash equivalents and fixed income securities.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved primarily through the purchase of securities of high quality.

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The Organization preserves the whole dollar value of the original gift as of the gift date of donor restricted endowments, absent explicit donor stipulations to the contrary. Interest, dividends and net appreciation of the donor restricted endowment funds are deemed appropriated for expenditure upon approval by management the Board of Directors.

(14) Program Service Revenue

The Organization has agreements with Medicare, Medicaid and other commercial insurance carriers and agencies that provide for payments to the Organization at amounts different from its established rates. The basis for payments to the Organization under these agreements primarily includes prospectively determined rates and discounts from established charges.

Program service revenue by major payor class for the years ended December 31, 2021 and 2020 is presented in the following table:

		2021	2020
Medicare and Medicaid	$	3,265,757	2,998,356
Commercial insurance and other		1,717,029	1,257,455
Region 6 Behavioral Healthcare		1,445,489	2,388,143
Region V Services		1,388,435	2,011,400
Self pay		465,825	255,290
	$	8,282,535	8,910,644

Revenue from client’s deductibles and coinsurance are included in the categories presented above based on the primary payor.

(15) United Way Support

The following is the detail of United Way support included in changes in net assets without donor restrictions in the accompanying consolidated statement of activities:

		2021	2020
United Way of the Midlands	$	512,741	475,800
Fremont Area United Way		76,825	68,833
United Way of the Midlands (International Center)		47,500	147,500
Heartland United Way, Inc.		36,132	40,093
Hastings United Way		10,250	18,000
United Way of Lincoln and Lancaster County		5,000	40,089
Mid-Plains United Way		5,000	19,500
United Way of the Kearney Area		3,835	4,919
Grand Island United Way, Inc.		--	251
	$	697,283	814,985

(16) Government Grants

The following is a detail of government grants included in the accompanying consolidated statement of activities:

		2021	2020
State of Nebraska Health and Human Services -			
Refugee Education and Employability Partnership	$	1,127,318	1,027,460
Temporary Assistance for Needy Families		993,915	--
Community CARES Act Response and Recovery		--	1,999,972
Community CARES Act Housing and Shelter Stabilization		--	299,998
Other Grant Awards		503,850	412,241
U.S. Dept of Health and Human Services -			
Certified Community Behavioral Health Center		1,875,544	784,457
CARES Act Provider Relief Funds		32,401	747,717
American Rescue Plan Act Funds		41,848	--
Lutheran Immigration and Refugee Service		652,926	535,287
Church World Services		307,405	239,115
Other		1,090,851	807,011
	$	6,626,058	6,853,258

CARES Act Funds

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law that provides $2.2 trillion in relief funds to those negatively impacted by the COVID-19 pandemic. The Organization received funding under the Coronavirus Relief Fund through the state of Nebraska Community CARES program and under the Provider Relief Fund.

In 2020 the Organization received $1,999,972 under the Response and Recovery grant and $299,998 under the Housing and Shelter Stabilization grant of the State of Nebraska Community CARES program to help charitable organizations and licensed providers to provide resources to children, families and communities to respond and recover from the impacts of COVID-19. The grants were funded from the Coronavirus Relief Fund under the CARES Act.

The CARES Act Provider Relief Funds are to be used to support healthcare-related expenses or lost revenue attributable to the coronavirus and to ensure uninsured individuals served can get testing and treatment for the coronavirus. General distributions under the CARES Act Provider Relief Funds were distributed to eligible providers beginning April 10, 2020. The funds represent a stimulus grant, which requires certain terms and conditions. Total CARES Act Provider Relief Funds advanced to the Organization for the years ending December 31, 2021 and 2020, was $32,401 and $747,717, respectively. The Organization recognized all of the funds received in government grants based on lost revenue and healthcare related expenses attributable to coronavirus through December 31, 2021 and 2020.

The Organization has submitted documentation to HHS on how the Provider Relief funds were used. HHS continually made clarifications as to approved uses of Provider Relief Funds. Management believes it has complied with the terms and conditions, although information and documentation is subject to audit up to three years after it is reported in the Provider Relief Fund portal by the Organization.

(17) Joint Ventures

Right Turn, LLC

The Organization is one of two corporate members of Right Turn, LLC, which was formed as a joint venture between Lutheran Family Services of Nebraska, Inc. and Nebraska Children's Home Society in December 2009. Right Turn, LLC was organized solely to administer a contract with the Nebraska Department of Health and Human Services for the post adoption/guardianship program to enhance adoption services statewide through education of professionals and adoptive parents, and to heighten public awareness of adoption.

The Organization recognized revenue for services rendered to Right Turn, LLC in the amount of $287,496 and $412,241 for the years ended December 31, 2021 and 2020, respectively.

The Organization has not made any capital contributions to Right Turn, LLC. Due to lack of expected future economic benefit, the Organization has not recognized any equity interest in Right Turn, LLC in the financial statements.

In 2021 the corporate members of Right Turn, LLC, entered into a Plan of Liquidation and Dissolution. Distribution of the remaining assets of Right Turn, LLC will be made to the corporate members upon final liquidation.

Health360 Integrated Care Project

In December 2015, the Organization entered into a Health 360 Integrated Care Agreement (Agreement) with Bluestem Health, a federally qualified health center (FQHC) in Lincoln, Nebraska to provide health services under an integrated care model, in which the FQHC provides primary care services and the Organization will provide behavioral health services. The Organization recognized revenue for services rendered under this Agreement in the amounts of $333,216 and $288,670 for the years ended December 31, 2021 and 2020, respectively.

(18) Lease Commitments

The Organization leases its various office facilities, equipment and vehicles under operating lease arrangements ranging in duration from one to fifteen years. Rental expense relating to these leases amounted to $953,649 and $950,104 for the years ended December 31, 2021 and 2020, respectively.

The following is a schedule by years of future minimum rental commitments under non-cancelable leases as of December 31, 2021:

Year Ending December 31		Total
2022	$	740,061
2023		665,469
2024		594,214
2025		594,214
2026		581,315
Thereafter		2,388,858

(19) Retirement Plan

The Organization is a participant in a retirement plan, administered by the Nonprofit Association of the Midlands, established under Internal Revenue Code Section 403(b). Substantially all employees of the Organization are eligible to participate in the 403(b) plan. Employer contributions to the 403(b) plan are made based on the length of service of individual employees and range from 50% to 100% match of employee contributions, up to 5% of eligible salaries. Total retirement plan expense included in the consolidated statement of activities for the years ended December 31, 2021 and 2020, was $363,785 and $238,266, respectively.

(20) 457(b) Deferred Compensation Plan

The Organization has established a deferred compensation plan for a select group of management or highly compensated employees in accordance with Internal Revenue Code 403(b). The plan permits eligible employees to defer a portion of their salaries until future years. The deferred compensation is not available to the employees until retirement, separation from employment, death, unforeseeable emergency or attaining age 65. The employer is the beneficial owner of all assets the employee places in the plan. The employee is fully vested in all amounts credited to his or her account. The Organization made no contributions to the plan on behalf of participants for the years ended December 31, 2021 and 2020.

The deferred compensation assets related to this plan in the amounts of $106,665 and $52,391 as of December 31, 2021 and 2020, respectively, are included within the accompanying consolidated statement of financial position as assets limited as to use. A liability of $208,425 and $242,093 as of December 31, 2021 and 2020, respectively, based on the fair value of the investments, has also been included within the accompanying consolidated statement of financial position as deferred compensation liability.

(21) Concentrations of Credit Risk

The Organization has locations throughout the State of Nebraska. The Organization grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payor agreements. The mix of service accounts receivables from clients and third-party payors at December 31, 2021 and 2020 were as follows:

	2021	2020
Medicare and Medicaid	17%	23%
Other state/governmental funding	32	49
Client and other payors	51	28
	100%	100%

The Organization, at times, maintains cash deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes the risk relating to these deposits is minimal.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

(22) Risks and Uncertainties

The Organization receives a substantial portion of its funding for program services from federal and state agencies. As such, the Organization's ability to operate and administer these programs in the future is dependent on the funding received.

Litigation

The Organization is involved in litigation and regulatory investigations arising from the normal course of business. Nearly all of these claims are covered under policies of their current insurance carrier. After consultation with legal counsel, management estimates these matters will be resolved without material adverse affect on the Organization's future financial position or results from operations.

(23) Subsequent Events

In February 2022, the Organization closed on the purchase of a building for its new corporate headquarters. The total purchase price was approximately $2,300,000 and was financed primarily through a long-term debt obligation.

In March 2022, the Organization closed on the sale of the existing building used for its corporate headquarters. The total sales price was approximately $2,325,000. As a result of the sale, the Organization will recognize a gain on sale of assets of approximately $1,600,000 in 2022.

Lutheran Family Services of Nebraska, Inc. and Affiliates

Exhibit 1

Consolidating Statement of Financial Position
December 31, 2021

ASSETS		Lutheran Family Services of Nebraska, Inc.	Omaha Church Center, Inc.	Lutheran Family Services Foundation, Inc.	LFS 25th Avenue Apartments, LLC	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$	1,053,710	1,269,940	324,868	--	--	2,648,518
Short-term investments		--	--	1,839,931	--	--	1,839,931
Receivables -							
Service accounts		672,563	--	--	--	--	672,563
Pledges		2,795,885	11,000	--	--	--	2,806,885
Grants		2,441,762	--	--	--	--	2,441,762
Affiliates		--	930,471	--	--	(930,471)	--
Prepaid expenses		323,721	--	--	--	--	323,721
Total current assets		7,287,641	2,211,411	2,164,799	--	(930,471)	10,733,380
Investment in Josiah Place, Inc.		--	4,652	--	--	--	4,652
Interest in Fremont Area Community Foundation		--	--	1,013,162	--	--	1,013,162
Pledges receivable, less current portion		4,050,000	--	--	--	--	4,050,000
Beneficial interest in perpetual trust		--	--	1,161,167	--	--	1,161,167
Beneficial interest in charitable remainder trust		--	--	182,108	--	--	182,108
Assets limited as to use		4,840,475	18,633	3,197,295	--	--	8,056,403
Property and equipment, net		598,208	1,936,393	--	--	--	2,534,601
Total assets	$	16,776,324	4,171,089	7,718,531	--	(930,471)	27,735,473

See accompanying independent auditor's report

Consolidating Statement of Financial Position (continued)
December 31, 2021

LIABILITIES AND NET ASSETS	Lutheran Family Services of Nebraska, Inc.	Omaha Church Center, Inc.	Lutheran Family Services Foundation, Inc.	LFS 25th Avenue Apartments, LLC	Eliminations	Consolidated
Current liabilities:						
Current portion of notes payable	$ 54,208	--	--	--	--	54,208
Accounts payable -						
Trade	564,777	--	--	--	--	564,777
Affiliates	629,931	--	300,540	--	(930,471)	--
Accrued salaries, wages, vacation and payroll taxes payable	1,445,527	--	--	--	--	1,445,527
Retirement plan payable	58,580	--	--	--	--	58,580
Deferred revenue and refundable advances	64,000	--	--	--	--	64,000
Total current liabilities	2,817,023	--	300,540	--	(930,471)	2,187,092
Notes payable, net of current portion	40,657	--	--	--	--	40,657
Deferred compensation liability	208,425	--	--	--	--	208,425
Total liabilities	3,066,105	--	300,540	--	(930,471)	2,436,174
Commitments and contingencies						
Net assets:						
Net assets without donor restrictions	2,130,524	4,141,456	2,369,278	--	--	8,641,258
Net assets with donor restrictions	11,579,695	29,633	5,048,713	--	--	16,658,041
Total net assets	13,710,219	4,171,089	7,417,991	--	--	25,299,299
Total liabilities and net assets	$ 16,776,324	4,171,089	7,718,531	--	(930,471)	27,735,473

See accompanying independent auditor's report

Lutheran Family Services of Nebraska, Inc. and Affiliates

Exhibit 2

Consolidating Statement of Activities
For the Year Ended December 31, 2021

	Lutheran Family Services of Nebraska, Inc.	Omaha Church Center, Inc.	Lutheran Family Services Foundation, Inc.	LFS 25th Avenue Apartments, LLC	Eliminations	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS AND MEMBER'S EQUITY						
REVENUE GAINS AND OTHER SUPPORT:						
Program service revenue	$ 8,397,530	--	--	--	(114,995)	8,282,535
Government grants	6,626,058	--	--	--	--	6,626,058
Grants from affiliate	326,528	--	--	--	(326,528)	--
Private grants	1,760,203	--	--	--	--	1,760,203
Contributions	2,450,741	--	--	--	--	2,450,741
United Way	321,223	--	--	--	--	321,223
Investment income, net	829,867	3,744	527,661	--	(652,482)	708,790
Rental income	--	408,468	--	124,721	(408,468)	124,721
Other revenue	2,976,456	--	5,162	3,514	--	2,985,132
Gain (loss) on disposal of property and equipment, net	--	(309,945)	--	656,632	--	346,687
Net assets released from restrictions, including United Way of $376,060	2,005,494	10,000	26,808	--	--	2,042,302
Total revenue, gains and other support	$ 25,694,100	112,267	559,631	784,867	(1,502,473)	25,648,392

Consolidating Statement of Activities (continued)
For the Year Ended December 31, 2021

	Lutheran Family Services of Nebraska, Inc.	Omaha Church Center, Inc.	Lutheran Family Services Foundation, Inc.	LFS 25th Avenue Apartments, LLC	Eliminations	Consolidated
Total revenue, gains and other support - forward	$ 25,694,100	112,267	559,631	784,867	(1,502,473)	25,648,392
EXPENSES:						
Operating expenses -						
Salaries	13,483,966	--	--	7,014	--	13,490,980
Employee benefits	2,037,620	--	--	2,158	--	2,039,778
Payroll taxes	949,833	--	--	499	--	950,332
Total salaries and related expenses	16,471,419	--	--	9,671	--	16,481,090
Legal and accounting fees	701,943	16,501	--	--	(16,501)	701,943
Professional fees	2,182,677	160,418	13,477	5,602	(65,496)	2,296,678
Foster parent fees	429,154	--	--	--	--	429,154
Supplies	487,052	1,228	--	2,422	--	490,702
Telephone	358,124	--	--	675	--	358,799
Postage and shipping	35,658	--	--	--	--	35,658
Occupancy cost	1,667,202	36,736	--	45,367	(408,468)	1,340,837
Travel expense	184,663	--	--	3	--	184,666
Conference expense	54,709	--	--	--	--	54,709
Assistance to individuals	532,769	--	--	--	--	532,769
Equipment and maintenance	224,538	31,737	--	30,781	--	287,056
Insurance	265,249	68,162	--	3,727	(32,998)	304,140
Printing	40,219	--	--	958	--	41,177
Subscriptions and publications	33,847	--	--	--	--	33,847
Board expense	13,036	--	--	--	--	13,036
Organization dues	81,318	--	--	--	--	81,318
Miscellaneous	105,649	83	--	61	--	105,793
Grants to affiliates and other organizations	--	--	326,528	--	(326,528)	--
Depreciation	140,462	215,049	--	33,118	--	388,629
Total expenses	24,009,688	529,914	340,005	132,385	(849,991)	24,162,001
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	$ 1,684,412	(417,647)	219,626	652,482	(652,482)	1,486,391

Consolidating Statement of Activities (continued)
For the Year Ended December 31, 2021

	Lutheran Family Services of Nebraska, Inc.	Omaha Church Center, Inc.	Lutheran Family Services Foundation, Inc.	LFS 25th Avenue Apartments, LLC	Eliminations	Consolidated
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES - forward	$ 1,684,412	(417,647)	219,626	652,482	(652,482)	1,486,391
MEMBER DISTRIBUTIONS	--	--	--	(1,932,181)	1,932,181	--
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS AND MEMBER'S EQUITY	1,684,412	(417,647)	219,626	(1,279,699)	1,279,699	1,486,391
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
Private grants	105,000	--	--	--	--	105,000
Contributions	7,544,931	--	--	--	--	7,544,931
United Way	285,885	--	--	--	--	285,885
Investment income, net	--	--	130,267	--	--	130,267
Change in value of beneficial interest in perpetual trust	--	--	132,088	--	--	132,088
Change in value of beneficial interest in charitable remainder trust	--	--	30,161	--	--	30,161
Net assets released from restrictions	(2,005,494)	(10,000)	(26,808)	--	--	(2,042,302)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	5,930,322	(10,000)	265,708	--	--	6,186,030
CHANGE IN NET ASSETS AND MEMBER'S EQUITY	7,614,734	(427,647)	485,334	(1,279,699)	1,279,699	7,672,421
NET ASSETS AND MEMBER'S EQUITY:						
Beginning of year	6,095,485	4,598,736	6,932,657	1,279,699	(1,279,699)	17,626,878
End of year	$ 13,710,219	4,171,089	7,417,991	--	--	25,299,299

Lutheran Family Services of Nebraska, Inc. and Affiliates

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Federal Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct Awards				
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829			$ 1,925,908
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			15,089
COVID-19 Provider Relief Fund	93.498			747,717
Passed through the Nebraska Department of Health and Human Services -				
HIV Care Formula Grants	93.917	21X0700048		63,392
Passed through the Nebraska Department of Health and Human Services -				
477 Cluster				
Temporary Assistance for Needy Families	93.558	0G1901NETANF	$ 300,000	993,915
Passed through Region 6 Behavioral Healthcare				
Child Care and Development Fund (CCDF) Cluster				
Child Care and Development Block Grant	93.575	FY22 1-24		19,589
Total CCDF Cluster				19,589
Total 477 Cluster				1,013,504
Passed through the Nebraska Department of Health and Human Services -				
Personal Responsibility Education Program	93.092	0G1901NEPREP		12,598
Direct Award				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZI012901		81,100
		90ZR0067-02-00/ 90ZR0067-01-00		87,461
Passed through Lutheran Immigration and Refugee Service				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZM0010/03		23,968
		90RP0124-01-01		22,435
Passed through Church World Services				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90RP0103PC20		
		90RP0103PC21		67,052
Total Refugee and Entrant Assistance - Discretionary Grants				282,016
Passed through Lutheran Immigration and Refugee Service				
Services for Unaccompanied Alien Children	93.676	90ZU0318/01		173,361
Passed through Lutheran Immigration and Refugee Service				
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	2102MDRVMG		102,185
		2202MDRVMG		31,573
Passed through Church World Services				
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	2001NYRVMG		
		2101NYRVMG		23,087
Total Refugee and Entrant Assistance - Voluntary Agency Programs				156,845
Passed through the Nebraska Department of Health and Human Services				
Title IV-E Kinship Navigator Program	93.471	0G2001NEPKIN		82,578
Passed through Nebraska Department of Health and Human Services				
Refugee Social Services Program	93.566	0G2001NERSOC		
		0G2101NERSSS		1,133,080
Passed through Region 6 Behavioral Healthcare				
Block Grant for Community Mental Health Services	93.958	B09SM082615-01		27,235
Passed through Region 6 Behavioral Healthcare				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI083064-01		500
Passed through Region V				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010034-18		5,283
Total Block Grants for Prevention and Treatment of Substance Abuse				5,783
Passed through U.S. Committee for Refugees and Immigrants				
Trafficking Victim Assistance Program	93.598	90ZV0-137-01-00		
		90ZV0-136-01-00		
		90ZV0-135-01-00		61,701
Passed through Nebraska Department of Health and Human Services				
Foster Care Title IV-E	93.671	0G2001NEFVPS		750
Passed through Nebraska Department of Health and Human Services				
Foster Care Title IV-E	93.658	0G2101NEFOST		37,616
Total U.S. Department of Health and Human Services				$ 5,739,173

Lutheran Family Services of Nebraska, Inc. and Affiliates

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Federal Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
US Department of Housing and Urban Development				
Passed through the University of Nebraska Lincoln				
COVID-19 Community Development Block Grants/Entitlement Grants	14.228	26-0520-0344-005		$ 39,475
U.S. Department of State				
Passed through Church World Services				
Reception and Placement Program	19.510	SPRMCO20CA0025 SPRMCO21CA0025		$ 225,987
COVID-19 Reception and Placement Program	19.510	SPRMCO21CA0025		7,110
Passed through Lutheran Immigration and Refugee Service				
Reception and Placement Program	19.510	SPRMCO21CA3007 SPRMCO21CA3290		171,407 172,142
Total U.S. Department of State				$ 576,646
U.S. Department of Treasury				
Passed through the Metro Area Continuum of Care of the Homeless				
COVID-19 Emergency Rental Assistance Program	21.023	N/A		$ 300,000
Total U.S. Department of Treasury				$ 300,000
U.S. Department of Justice				
Passed through the Bureau of Justice Assistance				
City of Omaha Heartland CIT Project	16.745	2018-MO-BX-0004		$ 78,230
Total U.S. Department of Justice				$ 78,230
Total Expenditures of Federal Awards			$ 300,000	$ 6,733,524

The accompanying notes are an integral part of this schedule

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lutheran Family Services of Nebraska, Inc. under the programs of the federal government for the year ended December 31, 2021. 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). Because the Schedule presents only a selected portion of the operations of Lutheran Family Services of Nebraska, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lutheran Family Services of Nebraska, Inc.

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Lutheran Family Services of Nebraska, Inc. has elected not to use the 10-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Provider Relief Fund

Lutheran Family Services of Nebraska, Inc. received amounts from the US Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) program, Federal Assistance Listing #93.498, during the year ended December 31, 2020. Lutheran Family Services of Nebraska, Inc. incurred eligible expenditures including lost revenue and therefore recognized revenue totaling $747,717 for the year ended December 31, 2020 in the consolidated statement of activities. In accordance with the OMB compliance supplement addendum, the PRF expenditures recognized on the schedule are based on the reporting to HHS for the periods ending June 30, 2021 and December 31, 2021, as required under the PRF program.

The amount of PRF expenditures included on the schedule requires management to make estimates and assumptions about reported amounts. Accordingly, such expenditures are considered a significant estimate. Estimates and assumptions may include the calculation of lost revenue. Actual results could differ from those estimates.

SEIM JOHNSON
SOLUTIONS WITH VISION

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

Independent Auditor's Report

To the Board of Directors of
Lutheran Family Services of Nebraska, Inc. and Affiliates
Omaha, Nebraska:

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 Family Services of Nebraska, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements), and have issued our report thereon dated June 30, 2022. The financial statements of Omaha Church Center, Inc., Lutheran Family Services Foundation, Inc., and LFS 25th Avenue Apartments, LLC were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Omaha Church Center, Inc., Lutheran Family Services Foundation, Inc., or LFS 25th Avenue Apartments, LLC.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

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The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seim Johnson, LLP

Omaha, Nebraska,
June 30, 2022.

SEIM JOHNSON

SOLUTIONS WITH VISION

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

Independent Auditor's Report

To the Board of Directors
Lutheran Family Services of Nebraska, Inc. and Affiliates
Omaha, Nebraska:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lutheran Family Services of Nebraska, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-003, 2021-004 and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-003, 2021-004 and 2021-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Seim Johnson, LLP

Omaha, Nebraska,
June 30, 2022.

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	X Yes	____ None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

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

Identification of major federal programs:

Federal Assistance Listing Number(s)	Names of Federal Program or Cluster
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services
93.498	COVID-19 Provider Relief Fund
93.558	Temporary Assistance for Needy Families

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

II. FINANCIAL STATEMENT FINDINGS

Item 2021-001

Significant Deficiency

Criteria: The design or operation of the Organization's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the consolidated financial statements on a timely basis.

Condition: During audit procedures applied over program service revenue and grant revenue and related receivable balances, we identified instances in which recorded amounts were overstated resulting in misstatements in the financial statements.

Cause: Due to oversight by accounting and financial reporting personnel, certain revenue and receivable balances were not properly reconciled to supporting documentation.

Effect: Program service revenue and grant revenue and related receivables were misstated in the reported period resulting in audit adjusting entries being proposed and recorded by management.

Recommendation: We recommend that management continue to evaluate its processes and controls related to revenue recognition to ensure amounts are appropriately recognized in the proper period and accurately reported in the consolidated financial statements. Management should ensure to maintain adequate documentation to support amounts recognized.

Views of Responsible Officials: Management is aware of the deficiency of internal control over the revenue recognition process. Management is in the process of reviewing its accounting processes and procedures required to accurately reflect the activities of the Organization.

Item 2021-002

Significant Deficiency

Criteria: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect reported amounts of assets and liabilities as of the date of the financial statements.

Condition: Management did not appropriately calculate or evaluate the estimate related to the valuation of service accounts receivable which resulted in a misstatement.

Cause: Due to oversight by accounting and financial reporting personnel, combined with the implementation of a new client billing system, there was a lapse in internal control processes related to the calculated estimate of the valuation of service accounts receivable.

Effect: The recorded estimate for the valuation of service accounts receivable was not appropriately stated resulting in a proposed audit adjustment that was recorded by management.

Recommendation: Tremendous detail is required to estimate the valuation of accounts receivable. Historical collections, aging of accounts and payor mix are all factors that should be considered in the estimation process. We recommend management continue to monitor and improve its current estimation process of the valuation of service accounts receivable.

Views of Responsible Officials: Management is aware of the deficiency of internal control over the process of computing and evaluating estimates in the financial statements. Management is in the process of reviewing its accounting processes and procedures required to accurately reflect estimates in the financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Item 2021-003

Significant Deficiency

Identification of the Federal Program: Section 223 Demonstration Programs to Improve Community Mental Health
Federal Assistance Listing - 93.829

Criteria or Specific Requirement: The program is subject to the cost principles as applicable in Title 45 CFR Part 75, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards* (Uniform Guidance). 45 CFR 75.403 indicates costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition: Costs billed to the funding agency for rent, janitorial, telephone and office supplies/postage/printing exceeded amounts determined by supporting shared cost allocation calculations. Also, certain salaries billed to the grant award exceeded amounts recorded as expenses in the program.

Questioned Costs: $25,610

Cause: Lutheran Family Services of Nebraska, Inc. has internal control processes in place to allocate shared costs to various programs. Certain costs billed to the funding agency appeared to have been billed in accordance with amounts budgeted for the grant rather than based upon actual amounts incurred or shared allocated to the program.

Effect: Per 45 CFR 75.371, If a non-Federal entity fails to comply with Federal statutes, regulations, or the terms and conditions of a Federal award, the HHS awarding agency or pass-through entity may impose additional conditions, as described in § 75.207. If the HHS awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the HHS awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the HHS awarding agency or pass-through entity.

(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

(c) Wholly or partly suspend (suspension of award activities) or terminate the Federal award.

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and HHS awarding agency regulations at 2 CFR part 376 (or in the case of a pass-through entity, recommend such a proceeding be initiated by a HHS awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

Context: Certain agency wide costs, including rent, janitorial services, insurance, telephone and certain other supplies and office expenses are allocated to various programs based upon time spent. The total of amounts billed exceeded allocated totals recognized as expenses in the program in the amount of $23,481. Salaries and related benefits billed to the program exceeded amounts recorded in the general ledger for March 2021 amounted to $2,129.

Recommendation: We recommend management review its shared cost allocation process to ensure that amounts allocated are appropriately recognized in the general ledger for each program and amounts billed to various grant awards are adequately supported and are consistent with amounts allocated to grant programs.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

Item 2021-004

Significant Deficiency

Identification of the Federal Program: Temporary Assistance for Needy Families
Federal Assistance Listing - 93.558

Criteria or Specific Requirement: The program is subject to the cost principles as applicable in Title 45 CFR Part 75, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards* (Uniform Guidance). 45 CFR 75.403 indicates costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition: Costs billed to the funding agency exceeded amounts charged to the program in the general ledger for direct costs and amounts determined by supporting shared cost allocation calculations.

Questioned Costs: $47,344

Cause: Lutheran Family Services of Nebraska, Inc. has internal control processes in place to allocate shared costs to various programs. Certain costs billed to the funding agency appeared to have been billed in accordance with amounts budgeted for the grant rather than based upon actual amounts incurred or shared costs allocated to the program.

Effect: Per 45 CFR 75.371, If a non-Federal entity fails to comply with Federal statutes, regulations, or the terms and conditions of a Federal award, the HHS awarding agency or pass-through entity may impose additional conditions, as described in § 75.207. If the HHS awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the HHS awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the HHS awarding agency or pass-through entity.

(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

(c) Wholly or partly suspend (suspension of award activities) or terminate the Federal award.

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and HHS awarding agency regulations at 2 CFR part 376 (or in the case of a pass-through entity, recommend such a proceeding be initiated by a HHS awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

Context: Certain agency wide costs, including rent, janitorial services, insurance, telephone and certain other supplies and office expenses are allocated to various programs based upon time spent. The total of amounts billed exceeded allocated totals recognized as expenses in the program in the amount of $13,790. Salaries, related benefits and other direct costs billed to the program exceeded amounts recorded in the general ledger amounted to $33,554.

Recommendation: We recommend management review its shared cost allocation process to ensure that amounts allocated are appropriately recognized in the general ledger for each program and amounts billed to various grant awards are adequately supported and are consistent with amounts allocated to grant programs.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

Item 2021-005

Significant Deficiency

Identification of the Federal Program:	Temporary Assistance for Needy Families Federal Assistance Listing - 93.558
Criteria or Specific Requirement:	Funding will be awarded to organizations to implement Fatherhood Initiatives programs serving Temporary Assistance for Needy Families (TANF) eligible, low income, non-custodial, unemployed and under-employed fathers with income below 200 percent of the federal poverty level (FPL).
Condition:	Eligibility determinations completed were not supported with appropriate information to verify income levels were below 200 percent of the Federal poverty level.
Questioned Costs:	$0
Cause:	Eligibility determinations were made using an intake form, but amounts included on the intake form by applicants were not verified to supporting information to ensure income was under the 200% Federal poverty level.
Effect:	Benefits were provided to an ineligible recipient whose income was in excess of 200% percent of the Federal poverty level. Other benefits were provided to other recipients without obtaining documentation of their income levels.
Context:	Of the 12 individuals selected for testing of eligibility determinations, one individual had income levels exceeding 200% of the Federal poverty level. Two of other individuals tested did not have documentation in their files to verify income levels provided by applicants on the intake form. Proper verification of income levels would include, but not be limited to, the following: review of pay stubs, verification of employment and pay with employer, review of income tax returns, or bank statement details for evidence of employment income deposited to an account.
Recommendation:	We recommend management review its controls and processes over eligibility determinations being made for beneficiaries under Federal awards to ensure that information provided by applicants is complete and accurate so determinations are appropriate and Federal awards are properly administered.
Views of Responsible Officials:	Management concurs with the finding. See Corrective Action Plan.

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Lutheran Family Services of Nebraska, Inc. and Affiliates

Corrective Action Plan
For the Year Ended December 31, 2021

Item 2021-001

Condition: During audit procedures applied over the program service and grant revenue and related receivable balances, we identified instances in which recorded amounts were overstated resulting in misstatements in the financial statements.

Planned Corrective Action: Management is reviewing and improving internal controls over financial reporting to ensure proper receivable reconciliation and revenue recognition. There have been procedures put in place to ensure receivable amounts are properly reconciled to supporting documentation to ensure proper recognition in the consolidated financial statements.

Contact Person: Amy Carolus, Chief Financial Officer

Anticipated Completion Date: December 31, 2022

Item 2021-002

Condition: Management did not appropriately calculate or evaluate the estimate related to service accounts receivable which resulted in a misstatement.

Planned Corrective Action: Management is in the process of reviewing its accounting processes and procedures required to accurately reflect estimates in the financial statements. Procedures have been put in place to ensure outstanding balances are properly evaluated and valued in the consolidated financial statements.

Contact Person: Amy Carolus, Chief Financial Officer

Anticipated Completion Date: December 31, 2022

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Lutheran Family Services of Nebraska, Inc. and Affiliates

Corrective Action Plan
For the Year Ended December 31, 2021

Item 2021-003

Condition:	Costs billed to the funding agency for rent, janitorial, telephone and office supplies/postage/printing exceeded amounts determined by supporting shared cost allocation calculations.
Planned Corrective Action:	Management has implemented an updated allocation process and controls to ensure that amounts recorded in the general ledger for each program are consistent with this methodology. As well, a formalized internal review has been put in place to ensure accurate amounts are billed to federal programs and can be properly and adequately supported.
Contact Person:	Amy Carolus, Chief Financial Officer
Anticipated Completion Date:	February 1, 2022

Item 2021-004

Condition:	Costs billed to the funding agency for rent, janitorial, telephone and office supplies/postage/printing exceeded amounts determined by supporting shared cost allocation calculations.
Planned Corrective Action:	Management has implemented an updated allocation process and controls to ensure that amounts recorded in the general ledger for each program are consistent with this methodology. As well, a formalized internal review has been put in place to ensure accurate amounts are billed to federal programs and can be properly and adequately supported.
Contact Person:	Amy Carolus, Chief Financial Officer
Anticipated Completion Date:	February 1, 2022

Item 2021-005

Condition:	Eligibility determinations completed were not supported with appropriate information to verify income levels were below 200 percent of the Federal poverty level.
Planned Corrective Action:	Management is reviewing and improving internal controls over eligibility determinations to ensure proper documentation is being maintained for each applicant to ensure appropriate determinations are made before providing funds to beneficiaries.
Contact Person:	Amy Carolus, Chief Financial Officer
Anticipated Completion Date:	December 31, 2022

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Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

Item 2020-001

Condition:	During audit procedures applied over the revenue recognition process, there were accounting errors identified related to the recognition of certain contributions, promises to give and donated goods and services. This resulted in misstatements in the consolidated financial statements.
Corrective Action:	Management is reviewing and improving internal controls over financial reporting to ensure proper revenue recognition. There have been procedures put in place to improve communications between development, program and accounting personnel to review contributions and grant agreements and notifications of promises to give for proper recognition in the consolidated financial statements.
Status:	Finding cleared.

Item 2020-002

Identification of the Federal Program:	Section 223 Demonstration Programs to Improve Community Mental Health Federal Assistance Listing - 93.829
Condition:	Costs billed to the funding agency for rent, janitorial, telephone and office supplies/postage/printing exceeded amounts determined by supporting shared cost allocation calculations.
Corrective Action:	Management has implemented an updated allocation process and controls to ensure that amounts recorded in the general ledger for each program are consistent with this methodology. As well, a formalized internal review has been put in place to ensure accurate amounts are billed to federal programs and can be properly and adequately supported.
Status:	Finding not cleared. See finding 2021-003.

Item 2020-003

Identification of the Federal Program:	Section 223 Demonstration Programs to Improve Community Mental Health Federal Assistance Listing - 93.829
Condition:	Certain payroll billed to the funding agency during the grant period were also included in payroll costs paid with the PPP loan.
Corrective Action:	Management has implemented a formalized internal review to ensure accurate amounts are billed to federal programs and can be properly and adequately supported.
Status:	Finding cleared.